FINANCIAL TIMES

World Business Newspaper http://www.FT.com FRIDAY DECEMBER 27 1996

Velvet goldmine
What will they securitise next?
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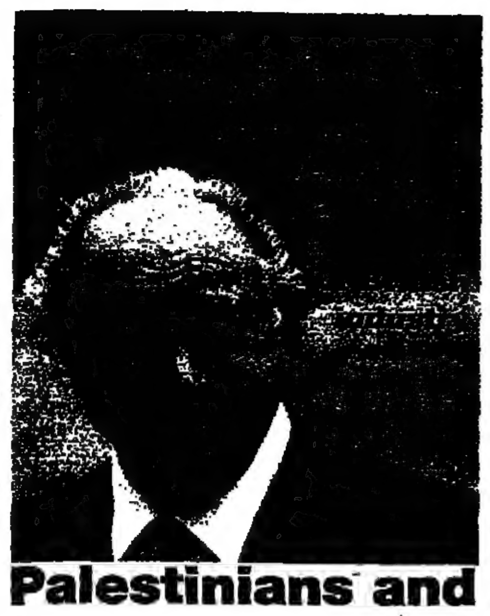

Palestinians and Israelis hopeful on Hebron deal

Israelis and Palestinians were optimistic about reaching agreement next week on handing over to the Palestinians control of most of the Israeli-occupied West Bank town of Hebron. Their optimism was shared by US Middle East peace envoy Dennis Ross, who returned to Washington to brief US president Bill Clinton. Israel has delayed the transfer of Hebron, citing fears for the security of the Jewish minority, which yesterday started protests against a pull-out. *Page 12; Editorial Comment, Page 11*

Peru terrorists free ambassador: Leftwing terrorists in Lima released Guatemala's ambassador to Peru from the Japanese ambassador's residence, where they still hold 103 hostages. Uruguay in dock, Page 4

Minority investors may reject bid: *Leading minority shareholders in Northern* Electric may not accept the £782m ($1.3bn) takeover bid for the north-east of England electricity company from CalEnergy of the US, and may *remain as minority shareholders.* Page 13; Lex, Page 12; Cock-up theory, Page 14

German suicide bomber not a terrorist: A 49-year-old Frankfurt woman who killed herself and two elderly women in a Christmas Eve church bomb attack had been undergoing psychiatric treatment. Police said they had ruled out terrorism.

China is big source of capital: China is the world's eighth largest provider of capital, committing some $18bn in officially approved direct and portfolio investment abroad between 1989-1995, a study shows. Page 12

Police force end to Belgrade protests: Riot police forced opposition demonstrators to abandon protests against Serbian president Slobodan Milosevic which have disrupted Belgrade for more than five weeks. Page 12

Laporte sells adhesives arm for £100m: UK speciality chemicals company Laporte sold its European adhesives business to Elf Atochem, subsidiary of the French oil producer Elf Aquitaine, for about £100m ($167m). Page 13

Rank buys Canadian Hard Rock cafes: Rank Organisation, which in June paid £270m ($451m) in cash for most of the Hard Rock cafes outside the UK that it did not control, has bought the Canadian outlets for $61m. Page 14

Portugal plans to rescue railways: Portuguese rail workers called off a strike over the Christmas holiday after the government promised improvements for the country's failing system. Page 2

Cocaine seized at Heathrow: Customs officers at Heathrow airport, London, seized 26 kilos of cocaine, valued at £1.8m ($3m), in an unclaimed bag from a flight from Venezuela.

Yamaichi to bail out affiliate: Yamaichi Securities, weakest of Japan's big four stockbrokers, is to inject Y150bn ($1.3bn) into its struggling non-bank affiliate, Yamaichi Finance, to write off bad property-related loans. Page 13

England's batting fails: England were 187 for nine when bad light ended play early on the first day in the second cricket test against Zimbabwe in Harare. *The first test was drawn.*

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6,555.82	(+32.67)
NASDAQ Composite	1,291.89	(+4.25)
Europe and Far East		
CAC40	2,303.75	(+14.20)
DAX	closed	
FTSE 100	4,092.5	(+5.3)
Nikkei	19,291.58	(-257.83)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.072%
Long Bond	98
Yield	6.574%

OTHER RATES

UK: 3-mo Interbank	6⅞%	(6⅞%)
UK: 10 yr Gilt	99⅝	(99⅞)
France: 10 yr OAT	105.33	(105.3)
Germany: 10 yr Bund	103.18	(103.13)
Japan: 10 yr JGB	104.218	(104.634)

NORTH SEA OIL (Argus)

Brent Dated	$ 23.84	(23.505)

GOLD

New York: Comex		
Feb	$371.1	(370.8)
London:		
close	$369.0	(368.85)

DOLLAR

New York: lunchtime		
£	1.6732	
DM	1.5585	
FFr	5.2505	
SFr	1.3442	
Y	114.875	
London:		
£	1.6725	(1.6726)
DM	1.5584	(1.5553)
FFr	5.253	(5.252)
SFr	1.3457	(1.344)
Y	114.925	(114.485)
Tokyo close:	Y 114.875	

STERLING

DM	2.6031	(2.6024)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lis 16.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (mainland)	Es265	Turkey	L120,000
Germany	DM4.00	Lebanon	LL3500			UAE	Dh13.00

Kremlin moves to raise additional revenue and regulate Russia's illegal vodka distilleries

Yeltsin restores state monopoly of alcohol sector

By John Thornhill in Moscow

The Russian government yesterday shocked hard-drinking citizens by promising to restore a state monopoly of the alcohol market to raise additional tax revenues.

President Boris Yeltsin, conscious that past campaigns to control the flow of alcohol have stirred popular discontent, said the move would enable the government gradually to pay off its Rbs16,000bn ($3bn) debt to millions of Russian pensioners, resolving an "amoral" crisis in public finances.

In a high-profile return to the Kremlin after his successful heart bypass operation, Mr Yeltsin also sacked a senior official responsible for regulating the alcohol industry as part of a promised crack-down on incompetent bureaucrats.

He also launched a programme of more aggressive measures against corporate tax dodgers.

"The state's debt to the people is too high and the living standards are intolerably low," Mr Yeltsin said in a radio address on Wednesday. "It is time to take measures against those who like living luxuriously at the state's expense, or to be more exact at the expense of ordinary people."

Mr Anatoly Chubais, head of the presidential administration, said yesterday that a presidential decree would soon be issued introducing "the toughest possible controls" over the production, distribution, labelling and import of alcohol.

Mr Chubais insisted there was no plan to renationalise Russia's private distilleries and liquor shops, leaving it unclear as to how monopoly control over the sale of alcohol would be enforced.

The chaos in Russia's alcohol market resulted in the "loss" of Rbs2,000bn of tax revenues every month, he said.

Some economists estimate the government receives only 2 per cent of its federal revenues from alcohol duties, compared with more than one-third in Tsarist and Soviet times.

The government has already taken steps to remove tax privileges granted to several charitable organisations which enabled them to import alcohol duty-free but which were also exploited by criminal gangs.

Russia's vodka industry welcomed yesterday's announcement, saying it would help stem the tide of cheap vodka that has swept into Russia from Belarus and Ukraine during the past few years.

The measures are also designed to address public health concerns surrounding the poor-quality "moonshine" vodkas, costing as little as $1 a bottle, on sale around the clock in thousands of street kiosks throughout the country.

According to some estimates, 40 per cent of the vodka *sold in Russia is produced illegally.*

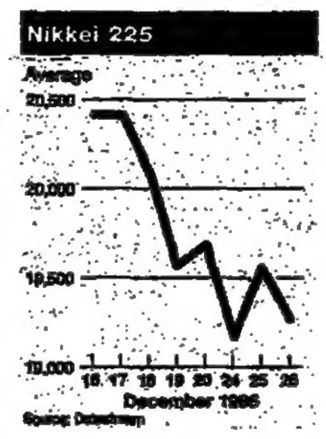
Control of the vodka market has proved an explosive issue throughout Russian history. Mr Mikhail Gorbachev, the last president of the Soviet Union, earned lasting hostility among ordinary Russians by launching a fierce anti-alcohol campaign in the 1980s.

The latest moves to tighten the alcohol market could also cause tensions with neighbouring Belarus with which Russia has a free trade agreement.

Russian women sell vodka on a Moscow street yesterday to try to earn much needed cash Reuters

Tokyo markets slide on tough budget fears

By William Dawkins in Tokyo and Richard Waters in New York



Japanese officials voiced alarm yesterday after Tokyo's financial markets fell sharply in response to fears that an austere 1997 budget could halt the economy's fragile recovery.

Mr Seiroku Kajiyama, chief government spokesman, attributed the declines to "the mental depression of investors". Mr Tsutomu Makino, senior official at the Ministry of International Trade and Industry, said he would monitor the markets "with grave concern".

The Nikkei 225 average fell by just over 700 points yesterday afternoon to its lowest level in a year before regaining *some ground to close at* 19,291.58, down 1.3 per cent on the day and 2 per cent since the start of the week.

The absence of foreign investors in the Christmas holidays has contributed to this week's share-price weakness. But even so, Japanese shares have fallen 6.4 per cent this year. Concern by foreign exchange dealers about the outlook for the domestic economy sent the yen to a 45-month low of Y115 to the dollar at one point in Tokyo before it recovered slightly to Y114.6.

The US stock market shrugged off the turmoil in Japan and continued its recent strong performance, helped by the dollar's rise against the yen. Traders speculated that the flow of Japanese capital, which has contributed to the strength of the US financial markets in the second half of this year, would continue.

By lunchtime in New York, the Dow Jones Industrial Average climbed back above its previous record close of a month ago to reach 6,555.91, a gain of 33.06. At this level the Dow has risen 4.6 per cent since the beginning of last week, erasing the losses which followed hints in early December by Mr Alan Greenspan, chairman of the Federal Reserve, that US shares were overvalued.

In Tokyo, equity analysts were concerned that the government's annual budget, approved by the cabinet on Wednesday, would tighten fiscal policy too much and deal a setback to recovery.

According to finance ministry figures the budget confirms an increase in sales tax next year from 3 per cent to 5 per cent, the end of a temporary

Continued on Page 12
OECD urges Japan to hold down interest rates, Page 3; Yamaichi write-off, Page 13; World Markets, Page 23

Spain disrupts Telefónica plan to control subsidiary

By David White in Madrid

Plans by Telefónica, the Spanish telecommunications group, to take full control of its Latin American subsidiary have been disrupted by the Spanish government's decision to seek the maximum price for its stake.

The final stage of Telefónica's own privatisation is unlikely to be delayed. The government is due to sell its remaining 21 per cent stake in the parent group in February.

Mr Rodrigo Rato, the finance minister, threatened this week to hold a tender for the state's 23.8 per cent holding in Telefónica Internacional (Tisa), instead of selling it directly to Telefónica. Answering a parliamentary question, he said there would be "a competition" and the government would consider the best offer.

The ministry said yesterday that no firm decision had been taken, although the government would seek to obtain as much revenue as possible and would see to it that the process was transparent.

Telefónica had been poised to complete the purchase of the stake, which would give it 100 per cent ownership of Tisa, for about Pta106bn ($812m). Although it would doubtless enter a tender, if held, the deal would risk being delayed until after the government sold its remaining Telefónica shares.

The final stage of the privatisation is expected to bring in about Pta600bn in the biggest ever single offering of shares in a Spanish company. The operation, in which Morgan Stanley is acting as global co-ordinator, received the go-ahead from the government last Friday.

The company would not comment on Mr Rato's threat. However, the company is understood to recognise the need for reviewing the price of the Tisa stake in the light of its latest expansion move in Brazil.

Continued on Page 12

Carmakers hit by strikes over S Korea labour laws

By Catherine Lee and agencies in Seoul

Striking workers closed South Korea's leading carmakers and several huge shipyards after the ruling party forced controversial laws on labour and the secret police through parliament yesterday.

President Kim Young Sam's ruling New Korea party, which has an absolute majority, went into the parliament building at 6am and passed 11 laws in just six minutes with no opposition deputies present.

The bills included measures that would allow companies to impose job cuts, so ending South Korea's life-long employment system. The leaders of the country's two labour organisations declared passage of the labour law "null and void" and urged their members to walk out.

Up to 150,000 workers at 100 companies responded immediately, halting production lines at Hyundai, Kia and Ssangyong group car plants and shutting two Hyundai shipyards and two others, according to the outlawed Korea Confederation of Trade Unions, which claims 500,000 members.

Economists warned of short-term damage to the economy, already shaky because of an export slowdown. But analysts said the labour law would benefit the economy by allowing employers to cut costs and increase competitiveness.

Yesterday's bills were also aimed at honouring South Korea's commitment to the Organisation for Economic Co-operation and Development, the club of industrialised nations, to introduce a more flexible labour market. Another bill gives greater powers to the once-notorious Agency for National Security Planning, the country's version of the CIA.

Although the police say they will crack down on illegal strikes and arrest labour organisers, protests are likely to continue. The strike at Hyundai Motor alone is estimated to be costing the company some Won46bn ($55m), or 5,500 cars, in lost production daily.

Later yesterday the government apologised to the public for pushing through the bill. "I feel truly sorry for failing to settle the issues through dialogue and compromise with the opposition," New Korea party chairman Mr Lee Hong-koo said.

However, the prime minister's office has warned of unspecified "stern countermeasures" against illegal strikes.

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NEWS: EUROPE

Dublin proves a sure hand on helm

Ireland has won plaudits for the deft course it has charted for the EU during its presidency

By Lionel Barber in Brussels

After six months in charge of the rotating presidency of the European Union, the Irish are lapping up all-round praise.

This month's Dublin summit was the crowning success, highlighted by the deal on the budgetary stability pact for countries in the future single currency – or euro – zone. Not since Belgium's run in 1993 has a country displayed such a deft, all-round performance.

The Irish completed a draft revision of the Maastricht treaty, secured EU funding for the multinational Keido project to wean the North Koreans off nuclear energy, forged a closer policy toward Canada, and just about contained disputes with the US over the Middle East and Cuba.

Ireland's success was built on a handful of talented people and sober diplomacy, particularly regarding the EU's inter-governmental conference (IGC). The Irish also spoke in language ordinary citizens can understand. There may be better slogans than "A peaceful Europe, secure jobs, sound money, and safe streets", but so far no one in Brussels has come up with one.

The task of preparing the Maastricht 2 draft was once described as "Mission Impossible". That was an exaggeration, but one that pinpointed the difficulty in advancing the IGC negotiations without alienating member states – divided between the do-next-to-nothing British and Danes, and the more ambitious Benelux, French and Germans.

Using the technique of "successive approximation", Mr Noel Dorr, a softly spoken former senior diplomat, narrowed down the priorities of the IGC and produced a final 140-page draft which was readable, illuminating, and, in his words, "at the upper end of realism".

The Irish avoided pushing too hard on the integrationist pedal, but still produced eye-catching proposals for an "area of freedom, security and justice" covering the free movement of people, asylum, and immigration and stronger co-operation between governments and police to tackle organised crime, terrorism, and drug traffickers.

These ideas seem certain to survive the next round of IGC negotiations, though some suspect that dismantling internal borders and harmonising penal codes may not be quite the vote winner the Germans and Irish believe.

Foreign minister Dick Spring: criss-crossed the globe but still found time for a song *Headline Photo Agency*

The Irish were less ambitious on sensitive issues that affected their own interests, such as the balance of power between small and large countries, including the size of the European Commission and the possible extension of qualified majority voting.

They also played down the common defence policy in recognition of their neutral status, while leaving to the Dutch presidency the issue of "flexibility", which would allow some countries to co-operate more closely with others without being held back by others.

On external affairs, Mr Dick Spring, the laconic foreign minister, found time – despite his duties in the Northern Ireland peace talks – to visit Cairo, Damascus, Jerusalem, Latin America, South Africa, Russia, the Asean summit in Jakarta (where he led the summit party in a rendition of "Danny Boy"), and Washington.

He largely avoided the pitfalls of the Middle East, where the French pushed hard for a higher European profile as a counterweight to the Americans. But the Israelis sensed a pro-Palestinian tilt in European policy, much to the delight of Mr Yassir Arafat, the Palestinian leader.

Mr Spring also had to deal with the US anti-Cuba laws which targeted European companies. Spurred by Sir Leon Brittan, chief EU trade negotiator, he forged a common response to the Helms-Burton legislation which caught the US off-guard.

Undoubtedly, the feeling that the US was ignoring European interests in the Middle East helped to spur the decision to appeal to the World Trade Organisation. The Helms-Burton stand-off still needs to be settled with the new US administration and Republican Congress.

Another sore spot is the relationship between the EU and Turkey, which has deteriorated sharply in the past six months. Ireland's success in brokering a deal on the funding of the long-delayed Meda aid programme to the southern Mediterranean has not proved an antidote, largely because of Greek intransigence and the Ankara government's habit of shooting itself in the foot over human rights.

The secret to the success of the Irish presidency was that they knew how to use the civil service assets at their disposal. Hence, Sir Nigel Wicks, chairman of the EU's secretive monetary committee, played a key role in laying the technical groundwork for the Franco-German compromise on the stability pact. Mr Jean-Claude Piris and his legal staff in the Council secretariat in Brussels largely wrote the Irish draft treaty text, ably supported by Mr Bobby McDonagh of the Irish foreign service.

After the Irish presidency, the Dutch will take over the six-month show, followed by the Luxembourgers. Like the Irish, they hope to demonstrate beyond doubt in the IGC negotiations that small countries are, in fact, up to the big job.

Lisbon sets out rail rescue plan

By Peter Wise in Lisbon

Portuguese rail workers called off a strike over the Christmas holiday after the government promised to breathe new life into the country's failing rail system.

The stoppage – almost an annual tradition in recent years – was cancelled after the government appointed a new executive board to manage a sweeping restructuring of Caminhos de Ferro Portugueses (CP), the heavily indebted and loss-making state railway company.

Unions hope the new board will ease their fears over job losses, but the plan unveiled this week by Mr Joã Cravinho, the planning minister, threatens further redundancies in a company whose workforce has already been reduced from 21,000 to about 14,000 over the past four years.

The Socialist government, which said it would rescue the railways from decades of neglect when it took office a year ago, promises more efficient services for passengers and a lighter burden for taxpayers. CP is losing Es1bn ($6.4m) a week and carrying an accumulated debt of about Es450bn.

Under the plan, CP is to be replaced in February by two companies, one to operate infrastructure, the other to run trains. Operating concessions will be granted to private sector groups for some suburban and regional lines and an independent watchdog will oversee competition, prices and investment costs.

"The government is taking the fundamental step of separating technical and commercial operations and making them independent of political policies for subsidising rail fares," says Mr António Mexia, a director of the Banco Essi, a Portuguese investment bank.

"Until now, governments have seen CP, with its heavy losses and huge debt, as a 'black hole' into which any money spent on the railways was likely to disappear," said another Lisbon transport sector analyst. "The Socialists are the first to have shown the courage to confront the problem."

The government, reversing its predecessor's preference for road building over railway development, is to invest Es800bn in modernising the railways over the next three years. Advanced "tilting train" technology is to be introduced on the main Lisbon-Oporto line, and the journey time from Lisbon to the Algarve coast is to be halved.

Analysts say the railways have steadily lost market share to road transport because of failure to modernise. Unions have used their power to win substantial wage increases but productivity is low.

CP has to charge artificially low fares on suburban lines but has not been adequately compensated by the state. Commuters on the Lisbon-Sintra rail line, which has the heaviest density of passengers in Europe, pay less than half the bus fare for the same route, for example.

Private companies running such lines would have to be compensated for maintaining fares at politically acceptable levels. But the government would be able to control costs more rigorously and draw up contracts establishing gradually diminishing levels of compensation.

Thessaloniki's metro project hits red light

By Kerin Hope in Athens

Six years after it was approved, the Dr160bn ($650m) underground railway for Thessaloniki in northern Greece appears to be back at the planning stage.

Further delays are inevitable because of legal action by Mechaniki, the Greek construction company which this month lost the contract after two years of negotiation with the government.

Mechaniki is contesting the government's decision to open discussions with an international consortium led by the French engineering group Bouygues. Bouygues, Bombardier of Canada and two Greek contractors, Alte and Avax, were the losing bidders in an international tender for the metro project in 1992.

Greece's council of state will next month hear the first of two appeals by Mechaniki, which led a consortium that included ADTranz of Germany, part of the ABB engineering group, and Italy's Fidel.

Mechaniki claims the public works ministry acted illegally in refusing to sign the contract; the ministry says the consortium's financial offer failed to comply with the terms of the tender.

Because the government cannot start negotiations with Bouygues until the council has issued its decision, the project will be stalled for another six months.

Residents of Thessaloniki once hoped their metro would be operating on January 1 next year, the day the city becomes Europe's cultural capital. The latest delay is expected to revive pressure by Thessaloniki's environmental lobby for an alternative solution to the city's traffic problems. A plan for a light railway running above ground through the city centre has already been proposed by Germany's Siemens group and Matra of France.

Mechaniki, based in Thessaloniki, was the first Greek company to win an international tender for a major project. Recent Greek infrastructure projects have been parcelled out between French and German groups, with local companies taking only small stakes.

However, Mechaniki's small capital base of Dr12bn and weakening financial performance in the past two years had raised concern about its capacity to take on such a big project. It was to contribute 80 per cent of about Dr25bn in equity financing committed to the project. Government funding and EU grants would cover another Dr60bn, with the remainder being provided by loans from the European Investment Bank and German export credit agencies.

The Thessaloniki metro is the only one of four large EU-backed infrastructure projects in Greece that has still to be launched. Parliament has ratified contracts for a new airport for Athens, a toll highway linking the airport with the city, and a toll bridge across the Corinth Gulf.

Italy's electricity sell-off generates more heat

David Lane assesses the chances of Enel coming to market

Moves to privatise Italy's state electricity corporation, Enel, have failed to meet several deadlines over the past two years, but the issue is rising in the list of priorities for Mr Romano Prodi's centre-left government.

A parliamentary commission headed by Mr Umberto Carpi, a junior industry minister, is expected to report in January on how Enel should be structured for sale. The choice is between a French-style centrally planned monopoly and a liberalised electricity industry along British lines.

The European Union decided in June that two forms of electricity market could co-exist. In one, negotiated third-party access opens the market to all operators, allowing them to plan their investment, giving access to transmission and distribution networks, and liberalising sales to users.

In the other – the "single buyer" system – exclusive sales rights are maintained, there is only partial liberalisation of supply, and tariffs are unified, while long-term planning is centralised.

Italian governments have adopted and then abandoned plans for electricity twice in the past two years. In November 1994, under pressure from its secessionist Northern League coalition partners, the rightwing government headed by Mr Silvio Berlusconi, the media mogul, presented a liberalising scheme.

With the collapse of Mr Berlusconi's government soon after the plan was announced, there was a U-turn. During the administration headed by Mr Lamberto Dini between January 1995 and April this year, the industry minister, Mr Alberto Clo, sought the continuation of Enel's dominant role when he signed a new operating licence for the state corporation at the end of last year.

In addition to leaving Enel's production, grid and local distribution operations unchanged, the licence allows the corporation to continue co-ordinating the activities of other electricity operators. Both Unapace, the association of independent industrial producers, and Federelettrica, the municipal utilities' association, objected.

There is speculation that Mr Carpi's commission will recommend changes to Enel before privatisation. In 1995 the corporation's net output was 175 terawatt (million million watt) hours, giving it 78 per cent of total Italian production. Its share of distribution was 83 per cent.

Last month, Mr Giuseppe Gatti, who was director general for energy at the industry ministry at the time of the Berlusconi plan and is now Unapace's chairman, suggested Enel's production capacity be spun off into several companies which would be privatised. Enel should also be required to sell part of its 55,000MW generating capacity.

Federelettrica also wants maximum liberalisation of production. Like Unapace, the association seeks the abolition of Enel's monopoly on cross-border trading and the institution of an independent company for dispatching and transmission, "mainly in public control but in which all Italian electricity operators are represented".

In their calls for electricity liberalisation, Unapace and Federelettrica are supported by the Autorita Garante, Italy's competition watchdog. In June 1994, the chairman, Mr Francesco Saja, recommended that Enel be broken up before privatisation.

His successor, the former premier Mr Giuliano Amato, has continued the battle, arguing that privatisation offers an unrepeatable opportunity to introduce competition into sectors where competitive market forces have been absent. Mr Amato favours the British model, with independent production, distribution and grid companies.

There has been fierce political opposition, mainly from the extreme right and left, to competition in electricity and the elimination of Enel's monopoly. The hard-left Communist Refoundation, on whose support Mr Prodi's government depends, and the rightwing National Alliance both want Enel kept under state control.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Prices for Trading on 28.12.96: Pool purchase price (£/MWh)	Final Prices for Trading on 27.11.96: Pool purchase price (£/MWh)	Pool selling price (£/MWh)
0030	11.66	11.69	11.69
0100	20.93	11.70	11.70
0130	25.39	13.93	14.34
0200	25.39	13.93	14.34
0230	20.93	13.93	14.34
0300	19.40	13.93	14.34
0330	18.24	13.93	14.34
0400	16.70	11.71	11.77
0430	11.66	11.70	11.70
0500	11.66	11.70	11.70
0530	11.67	11.73	12.14
0600	11.67	11.70	12.11
0630	11.66	11.73	12.14
0700	11.66	12.14	12.56
0730	11.66	16.58	17.01
0800	11.66	17.19	17.65
0830	11.66	17.82	18.41
0900	11.66	18.22	18.80
0930	11.70	48.09	49.74
1000	11.70	48.35	48.91
1030	17.34	48.20	48.86
1100	11.70	18.58	19.26
1130	11.70	48.38	49.04
1200	17.34	48.40	49.14
1230	17.34	48.25	48.94
1300	21.80	48.07	48.72
1330	21.80	18.18	18.76
1400	14.48	17.55	18.18
1430	11.67	17.36	17.82
1500	11.66	18.47	19.08
1530	11.66	18.83	19.51
1600	11.65	27.26	30.40
1630	11.66	88.92	107.32
1700	11.67	186.47	218.84
1730	11.67	243.23	278.25
1800	11.67	187.63	224.36
1830	11.67	91.83	105.29
1900	11.67	41.21	48.84
1930	11.57	28.96	31.51
2000	11.67	22.82	24.15
2030	11.57	18.91	19.61
2100	11.67	18.61	19.08
2130	11.67	16.59	17.01
2200	11.67	16.56	16.97
2230	11.67	16.55	16.96
2300	11.67	11.73	11.73
2330	11.66	11.72	11.72
2400	11.67	11.72	11.72

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible]

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EUROPEAN NEWS DIGEST

Poles in more buoyant mood

The public mood in Poland this year, the fourth consecutive year of economic growth, is the most optimistic since market reforms began seven years ago, according to a survey by the publicly funded CBOS polling unit. Forty-two per cent said 1996 had been good for them, double the 1992 figure; only 18 per cent had had a bad year.

Growth is expected to nudge 6 per cent for the year and real wages have risen 4.2 per cent. The central bank is concerned about the inflationary effects of a mini-boom in consumer spending fuelled by bank credit.

The poll, however, provides a boost for the former communist Left Democratic Alliance, senior partner in the government coalition, which faces parliamentary elections next autumn. *Christopher Bobinski, Warsaw*

Fairbank case auditor quits

The Stockholm office of accountants Deloitte & Touche has resigned as auditor of the local arm of Fairbank, a currency trading group under investigation in Sweden.

A prosecutor attached to the serious economics fraud squad launched an official probe into the company, Currency Exchange Stockholm, after ethnic Chinese customers complained of suffering losses.

The Swedish company is owned by Mr Dannis Cheung, a UK citizen, who ran Pagoda, a similar operation, in Britain. *Clay Harris, London*

New Year cheer for Turkey

Turkey's Islamic prime minister, Mr Necmettin Erbakan, yesterday ignored his party's opposition to following the Christian calendar and authorised a five-day public holiday for New Year. His office said the December 29-January 2 holiday had been granted to "to satisfy the wishes of a great majority of the public and to allow public servants, workers and 15m students who have been working continuously for the past three months to be together with their families".

Mr Erbakan's Welfare party maintains that the New Year is a Christian tradition. But in recent years it has been celebrated similarly to the Christian Christmas, with pine trees, turkey dinners and gifts.

Turks adopted the Christian calendar in 1925 after the Ottoman empire collapsed and Turkey became a secular republic. January 1 is observed as a public holiday.

■ Tenders for the privatisation of Tupras, Turkey's state oil refining company, and the petroleum products distributor Petrol Ofisi will be opened in the first quarter of next year, the government said yesterday. *AP, Ankara*

Bomb in German church

A 49-year-old woman who killed herself and two other people in a Christmas Eve church bomb attack in Frankfurt had been undergoing psychiatric treatment and was most probably driven by "personal motives", German police said yesterday. *Reuter, Frankfurt*

Ukraine protests at expulsion

Ukraine accused Canada yesterday of illegally arresting a Ukrainian diplomat, who was expelled this week after being charged with drunken driving, bribing a police officer and possession of stolen property.

Ukrainian authorities admitted Mr Olexander Yushko, a vice-consul, had had a blood alcohol level three times the legal driving limit when arrested at the end of October, but that police had misinterpreted his attempts to pay a fine on the spot. They also said a police search of Mr Yushko's car, which yielded a pair of stolen licence plates, was illegal under the Vienna convention, which grants foreign service personnel diplomatic immunity. They said the diplomat's driver had found the plates and meant to return them the day after the arrest. *Reuter, Kiev*

APPOINTMENTS

NEWS: INTERNATIONAL

US poll comment prompts Singapore fury

By James Kynge in Singapore

Mr Goh Chok Tong, Singapore's prime minister, said he was "furious" and "flabbergasted" yesterday with US criticism of his election campaign tactics and told Washington to stay out of the city-state's politics.

Mr Goh, who is campaigning for elections on January 2, was referring to a US State Department official's reported comments on a statement he made that Singaporean constituencies that elected opposition candidates would be left out of housing redevelopment schemes. The US official was reported as saying that voters "everywhere should be able to vote without fear of repercussions from the government".

"I was astounded yesterday when I heard of this report," said Mr Goh. "I can tell you I was furious, I was flabbergasted, floored."

He added Singapore would make an official statement to the US in due course. Calling the remarks of the State Department official "totally absurd", Mr Goh said that while Singapore could take criticism of its internal system from unofficial quarters, the US government should not interfere.

"When the government gets into the act, or the State Department through a spokesman, when we have an election on... I think that's beyond the pale," he said. "We are a little country, and if little countries get pushed around because we don't have people with a stout heart, I think we are done for."

Singapore's ruling People's Action party (PAP) is already assured of an election victory because opposition candidates are contesting only 36 seats in the 83-member parliament. This fact, however, has done nothing to damp the intensity of Mr Goh's campaign.

The PAP has offered voters a comprehensive programme of community development but it has repeatedly made it clear that such benefits are to be awarded selectively. Mr Goh warned recently that housing estates which chose opposition politicians would not qualify for housing redevelopment schemes and ran the risk of turning into slums.

Other senior Singaporean officials joined in denouncing the US, some in stronger terms than Mr Goh. Mr George Yeo, the information minister, said: "I am quite surprised that the Americans should raise an issue about how we run democratic politics in Singapore when their pork-barrel politics is something of a long tradition."

OECD urges Japan to hold down rates

By Emiko Terazono

Japan should maintain its current low-interest rate policy to ensure continued economic recovery, the Organisation for Economic Co-operation and Development said yesterday.

The annual survey of the Japanese economy from the OECD, think-tank for the world's industrialised nations, also raised concerns over the bad loans held by the country's financial institutions and Japan's fiscal condition, which is believed to be among the worst of the Group of Seven industrialised countries.

The Paris-based organisation said the record low official discount rate – the rate at which the Bank of Japan lends to private banks – since September last year, had helped economic expansion. The country's banks had also improved their profitability and rebuilt their capital base, hit by a wave of bad loans.

But in spite of improved profit margins, the large amount of non-performing loans held by banks and other financial institutions including the *jusen* – the now defunct housing loan companies – posed a threat to the overall economy, it said.

The report also urged Japan to raise the country's consumption tax in order to reduce its budget deficit. Japan's expansionary fiscal stance has contributed to pushing the combined deficit of central and local governments to around 7.4 per cent of gross domestic product, said the OECD.

The report called for further deregulation of Japan's industries, eliminating remaining barriers to its markets and cutting regulations in non-manufacturing sectors.

William Dawkins adds from Tokyo: Outstanding bad debts at Japan's banks fell by 16 per cent to Y29,228bn ($256bn) in the six months to September, the finance ministry announced yesterday. Nearly all the decline was because of write-offs of *jusen* loans, as part of an accord with the government in which a politically unpopular state subsidy is to contribute to the liquidation of the *jusen*.

"This represents very little real improvement," said Mr Paul Heaton, financial analyst at Deutsche Morgan Grenfell in Tokyo. "Apart from the *jusen*, there is no decrease in exposure to bankrupt companies and past due loans."

He pointed out that a decline in banks' operating margins suggested they would have even less spare cash to fund loan write-offs in the next year.

According to finance ministry data, loans to bankrupt companies rose by Y111bn over the period and loans on which interest payments were overdue rose by Y191bn.

INTERNATIONAL NEWS DIGEST

Jakarta cools economic spurt

Indonesia's economy has cooled off substantially, mostly as a result of a slowdown in the growth of non-oil imports, after showing signs of overheating earlier this year, according to official figures released yesterday.

Economists cited the central bank's high interest rates, curbs in lending growth and increases in bank reserve requirements as factors that helped to slow domestic demand and in turn to curb import growth.

With domestic demand easing, Mr Tunky Ariwibowo, trade and industry minister, predicted that the Indonesian economy would grow between 7.6 per cent and 8.0 per cent in 1997 compared with an expected 7.6 per cent to 7.9 per cent this year, while inflation would remain below 7 per cent. Last year, the economy grew at 8.07 per cent and inflation stood at 8.64 per cent.

The minister said the trade surplus widened 70 per cent to $4.3bn in the first nine months of the year compared with the same period in 1995, helped by a wider oil and gas sector surplus and a slowdown in import growth. He did not give figures for total nine-month imports but economists said they grew 11 per cent, compared with 27 per cent in the same period last year.

Meanwhile, the $1.5bn deficit registered in trade other than in oil and gas in the first nine months of the year narrowed by 52 per cent compared with the same period last year. *Manuela Saragosa, Jakarta*

■ Rioters set ablaze at least three Christian churches, several other buildings and cars yesterday in the predominantly Moslem West Java town of Tasik Malaya.

Michael Bruno, Israeli banker

Mr Michael Bruno, former governor of Israel's central bank and until recently the World Bank's chief economist and vice president (*pictured left*), died on Wednesday night of an illness at the age of 64. Mr Bruno played a key role in formulating a plan to stabilise the Israeli economy, which was hard hit by hyperinflation in the mid-1980s. Before joining the World Bank in 1993 he served as Bank of Israel governor from 1986 to 1991. Mr Bruno held visiting professorial positions at numerous universities during his career, including Harvard and the London School of Economics. The Hebrew University of Jerusalem, his academic home since 1963, said in a statement: "Professor Bruno combined profound economic research with the ability to implement theory into practice in the formulation of economic policy."

Mr Bruno was born in Hamburg, Germany, in 1932 and came to Palestine in 1933. He is survived by his wife, two sons and a daughter. *Avi Machlis, Jerusalem*

Strikes start over budget cuts

The Histadrut, Israel's trade union federation, yesterday staged a strike of airport, seaport and telecommunication workers to protest against the government's planned budget cuts.

The strike disrupted the flow of international air traffic and shut down services of Bezeq, the state-owned telecommunications company. The Histadrut said it planned to stage more strikes in the coming days in different sectors. It said the government's plan to trim Shk5bn ($1.5bn) off 1997 budgetary expenditure and to increase state income by Shk2bn would hurt salaried workers and the poor. The labour federation also said it was protesting against the privatisation programme which Mr Benjamin Netanyahu, the Israeli prime minister, has promised to reveal.

Earlier this year, the Histadrut staged two brief strikes to show its objection to Mr Netanyahu's economic policies. *Avi Machlis, Jerusalem*

India aims for 7% growth rate

India's Planning Commission said yesterday it was targeting an accelerated 7 per cent annual economic growth rate for the country's ninth five-year plan beginning on April 1 1997.

Mr Madhu Dandavate, commission deputy chairman, told reporters the growth rate – which was targeted at 5.9 per cent in the eighth plan (1992-1997) – would be stepped up by stimulating the savings rate and the efficient use of funds invested in the economy. "We have not exaggerated the growth rate at all," he said.

Mr Dandavate said the draft approach paper for the ninth plan had been unanimously endorsed and accepted by the cabinet of Mr H.D. Deve Gowda, the prime minister, earlier this week.

He said the National Development Council, which includes chief ministers of all the states, would meet on January 16 to endorse the document. *Reuter, New Delhi*

Leghari seeks to stabilise Pakistan finances

By Farhan Bokhari in Lahore and agencies

Mr Farooq Leghari, Pakistan's president, has announced economic reforms to be undertaken by the interim government in an attempt to stabilise the country's finances.

In a televised speech on Wednesday in English and Urdu, Mr Leghari promised to clean up the tax collection system, cut government expenditure and privatise loss-making public sector companies.

Western diplomats and leading businessmen in their first reactions said the speech failed to clear the confusion that has persisted both before and since Ms Benazir Bhutto was fired as prime minister by Mr Leghari on November 5.

Mr Leghari said the money from the new privatisations would be used to pay off public debt of $50bn. In the first three months alone, he predicted, such sales could bring Pakistan about $600m. He said Pakistan would sell off its utilities and railways, among others.

He also promised to make more people pay taxes, a difficult job in a country of 140m people where only 1.1m, or one in every 130, are taxpayers. The wealthiest in Pakistan often use their agricultural holdings to hide industrial revenues. But Mr Leghari, a big landowner himself, said that would soon end.

The interim governments in the four provinces are introducing an agricultural tax, which international lending institutions such as the International Monetary Fund have demanded for several years.

Mr Leghari said a big problem in Pakistan had been the unreliability of its figures. For example, Ms Bhutto said the deficit at the end of the last fiscal year was down to 5 per cent of gross domestic product, when in fact it was 6.3 per cent, he said.

"We have a system whose integrity is challenged every other day," he said.

While promising to try to introduce a whole new system where corruption would be curbed and everyone paid a fair share, Mr Leghari warned against excessive optimism. The problems, he said, "are deep rooted and cannot be addressed in the short time available to the caretaker government".

Mr Leghari's speech did little to dispel the uncertainty before national elections set for February 3. He promised to use his influence to see the next government followed through on his reforms. But Ms Bhutto said she would set her own economic course if elected.

The English version of Mr Leghari's speech was aimed at convincing the IMF and the World Bank that Pakistan remained committed to reforms, senior government officials said.

Tsutomu Hata announces his new party yesterday AP

Hata sets up new party

Mr Tsutomu Hata, a former prime minister, and 12 followers quit Japan's largest opposition party Shinshinto (New Frontier party) yesterday and set up a new political group, Reuter reports from Tokyo.

"To carry on the same dead-end course will put Japan on the road to ruin," Mr Hata told a news conference after founding the new party, called Taiyoto (Sun party).

The long-expected defection follows squabbling between Mr Hata and Mr Ichiro Ozawa, the Shinshinto leader, since the party made a poor showing in general elections in October. The two legislators, who spent decades in the ruling Liberal Democratic party before founding Shinshinto in 1994, disagreed over how to oppose their former party. "This is a better step than continuously bickering within the party," Mr Hata said after the resignations.

Trade and sanctions still hamper growth

Recovery in Cuba outstrips forecasts

By Pascal Fletcher in Havana

The pace of Cuba's economic recovery quickened in 1996, exceeding official expectations, but prospects for continued growth are still constrained by unfavourable trade and financing conditions and tightened US economic sanctions.

Presenting the 1997 budget and economic plan to the National Assembly, Cuba's economic strategists said one of their main tasks would be to try to ease a hard-currency cash squeeze resulting from a widening trade deficit and heavy reliance on expensive, short-term credits.

Mr José Luis Rodriguez, vice-president and economy minister, said Cuba's gross domestic product grew 7.8 per cent in 1996, outstripping a 5 per cent official forecast.

He said this was achieved despite deteriorating terms of trade, damage caused by Hurricane Lili in October and the US Helms-Burton law, which seeks to curb foreign investment on the island. There had been modest improvements in income and living standards.

Cuba's GDP plunged by nearly 35 per cent between 1989 and 1993 following the collapse of the island's trade and aid ties with the former Soviet bloc. This means that despite the 1996 advance, general living standards still remain well below 1989 levels.

Mr Rodriguez said the difficulty with external finances was the biggest obstacle to sustained recovery. As a result of these constraints, GDP growth for 1997 was forecast at 4-5 per cent. Tighter controls would be imposed on hard-currency spending, distribution of credits, and investments, with greater emphasis on efficiency and productivity.

The minister spelled out the tough challenges facing the economy. Although exports grew 33 per cent this year, imports increased by a similar amount, more than double the forecast and further widening a trade deficit that had already reached an estimated $1.2bn for 1995. Rising world prices added an extra $226m to Cuba's oil and food import bill this year.

Although compensated in part by inward investment flows and remittances sent by Cuban émigrés, the trade deficit was being financed with short-term credits, obtained at high interest rates averaging 13-15 per cent. This had increased Cuba's convertible currency debt, estimated at about $11bn.

Tourism and nickel mining, both important hard currency earners, were expected to continue strong growth next year.

Havana's assault on US sanctions law

By Pascal Fletcher

Cuba's counter-attack over the US Helms-Burton bill appears to be more a political than an economic assault.

The Helms-Burton Act, introduced in March, threatens penalties against foreign companies judged to be "trafficking" in expropriated properties in Cuba formerly owned by US nationals or Cubans who are now US citizens.

Cuba's counter-measure - the Law of Re-affirmation of Cuban Dignity and Sovereignty, which was passed by the National Assembly this week – rejects outright the legality of the US bill, declaring "null and void" any claims made under it.

At the same time it upholds the right of Cuban citizens to claim financial compensation from the US for damage and injuries inflicted by Washington's policy of hostility over the last 37 years. Cuba's justice ministry is to set up special commissions to receive and study claims.

Mr Ricardo Alarcón, National Assembly president, said Cuba had a duty to protect foreign companies and individuals who expressed confidence in the island by investing there. The Cuban initiative follows counter-measures to Helms-Burton introduced by Canada and Mexico.

Only a few articles of the new Cuban law seem directly related to providing investor protection. The government has been given a broad mandate, including the transfer of interests to investment funds and other financial entities. Several foreign investors in Cuba have already moved to restructure operations to evade the Helms-Burton bill.

The document repeats Cuba's willingness to provide fair compensation to US citizens whose properties on the island were nationalised after the 1959 revolution. But it recommends that this form part of a wider political negotiation between Havana and Washington "on the basis of equality and mutual respect".

Political defections cause stir in Mexico

By Leslie Crawford in Mexico City

A spate of defections from Mexico's ruling party, and opposition manoeuvres to form a united front for next year's mid-term elections, have given Mexicans a foretaste of the political turmoil awaiting them in 1997.

The plunging popularity of the Institutional Revolutionary party (PRI) has led many pro-government politicians to switch allegiances before congressional and gubernatorial contests in six key states, and the first election for a governor for Mexico City next July.

Ms Layda Sansores, PRI senator for Campeche, triggered the wave of defections by announcing she would stand for governor in her oil-rich state for the left-wing Revolutionary Democratic party. She was followed by two PRI congressmen who now call themselves "independents".

Their defection led to irate scenes in the lower house, where PRI stalwarts hurled the seats of their former colleagues across the chamber.

In the wealthy northern state of Nuevo León, the PRI's chances of holding on to the governorship received a blow with the defection to the small Workers' party of Mr Luis Eugenio Todd, a former ambassador and leading PRI luminary in the state capital, Monterrey.

The last straw for the ruling party came with the resignation of Mr Dante Delgado, former governor of Veracruz, who took 14,500 PRI members with him in an attempt to launch a new political movement.

Mr Delgado's career as an opposition leader was short-lived. He was arrested 10 days ago and charged with fraud during his term as governor, which ended in 1992. His arrest put a temporary brake on the defections, as PRI politicians reflected on the power of the party to punish traitors.

Economists counter-attack in row over US inflation

It seemed a good idea at the time. When a panel of eminent economists reported earlier this month that the main official measure of US inflation overstated the true figure, the conclusion, as unstartlingly technical as it sounded, had far-reaching implications.

It suggested the underlying performance of the US economy over the last 20 years had been better than estimated. If the price element of the overall increase in national income, wages and other components had been lower than thought, the real element (in purchasing power terms) must have been higher.

Boskin: facing massed ranks of economists

But, more importantly, it also promised an invitingly painless way to cut the government's chronic budget deficit. Public pensions and tax thresholds rise each year in line with the consumer price index (CPI). If the rate of increase were lower than currently planned, then tax revenues would be higher and spending lower.

Mr Michael Boskin, a former chairman of the Council of Economic Advisers and head of the special commission investigating the reliability of US economic statistics, estimated the reduction in the deficit could amount to as much as $1,000bn over 10 years.

Since the report was published, however, a steady stream of objections has chipped away at its credibility. Pensioners' groups said that, if acted on, it ran the risk of increasing poverty among the elderly. Politicians trod gingerly around its recommendations for fear of inviting popular retribution for what could be seen as a backdoor way of raising taxes and cutting benefits.

Political opposition was not surprising given the implications of the report for the federal budget. But a more powerful rebuttal is now emerging from the ranks of economists, challenging the methodology of the report itself.

The most outspoken technical criticism so far has come from Ms Katherine Abraham, head of the Bureau of Labour Statistics (BLS), the government agency that compiles the CPI, who said the Boskin conclusions were deeply flawed. Other economists have come to her support.

Mr Gary Burtless, an economist at the Brookings Institution in Washington, says: "There is indeed an overstatement in the CPI but it's only about half what Boskin argued." This reflects an increasingly held view that the report was over-zealous.

The commission estimated that the total overstatement of the CPI inflation was 1.1 percentage points. Instead of an annual rate of price increases of about 3 per cent at present, the figure should be just under 2 per cent.

It attributed the error to three causes. Most important was that some of the apparent increase in prices reflected improved quality of goods and services and could not be counted as "pure" inflation. This contributed about 0.6 percentage points to the overstatement, the commission said.

Substitution bias, or the failure to detect changed spending by consumers as relative prices changed, contributed 0.4 percentage points, and changes in the pattern of spending by consumers – more buying at discount shops now than at traditional outlets – were responsible for 0.1 percentage points.

The improving quality argument has come under most fire from economists. Although there is plenty of evidence that quality has improved in certain goods and services and that the price rise to some extent reflects that, there are three problems.

First, improvements in quality have probably occurred over a much longer time frame than is accounted for in the Boskin report. Although the increasing availability of sophisticated electronic equipment may have increased the degree of understated improvement in quality in the last decade, the problem is not purely a recent phenomenon; official measures of inflation have always overstated price increases.

Second, measuring quality improvements is extremely difficult. Although the quality of cars may be better and more reliable than it was, how can this be quantified reliably? In any case, the BLS already attempts to make these judgments and changes its index accordingly.

Third, what about those goods and services where quality has deteriorated? Mr Boskin did not fully examine this change, but some economists cite the declining quality of education as a good example of movement in the opposite direction.

"This question of quality is really a judgment call," says Mr Burtless, "not something that can be clearly identified as an error in the calculations".

There are problems too with the Boskin commission's calculation of substitution bias. This states that the CPI does not properly reflect the fact that if, for example, the price of apples rises, consumers buy more oranges. The actual increase in their cost of living is therefore not as great as if they had gone on buying the same number of the higher priced apples.

But what if the consumer really wants apples, and is forced to accept oranges as second best? The actual utility of the substitution may be lower, a factor that should be reflected in some way in estimates of price.

The commission's report also said the CPI did not take account of the fact that more consumers now bought at cheaper discount stores than at big supermarkets and traditional outlets. The BLS accepted this, and said it was already working to eliminate the distortion.

But Ms Abraham says the BLS calculation puts the overall overstatement of the CPI at about 0.25 percentage points. Other economists critical of the Boskin commission put the figure a little higher. Mr Boskin and his colleagues are convinced 1.1 percentage points is the correct figure.

An urgent consensus among the experts is needed if political support is to be gained for a change to the CPI. But as economists argue among themselves in ever more abstruse terms, the bigger issue of improving the way the government indexes taxes and spending is likely to slip from the political agenda.

US inflation-linked bonds postponed, Page 17

Gerard Baker

AMERICAN NEWS DIGEST

Uruguay in dock as suspects freed

Peru yesterday requested an official explanation from Uruguay after a court there freed two Peruvians who had been charged with membership of the Tupac Amaru Revolutionary Movement (MRTA), the group holding 104 hostages in the Japanese ambassador's residence in Lima.

Soon after the two were released, Mr Tabaré Bocalandro, Uruguay's ambassador to Lima, emerged from the residence saying he was unaware of the reasons for his release.

Uruguayan government spokesmen denied there had been negotiations with the MRTA and said the suspects' release was decided on by the country's independent judiciary. Mr Victor Joy Way, president of Peru's Congress, commented on the "apparent coincidence" of the Uruguayan envoy's release and Japan said freeing the suspected guerrillas "has complicated the resolution of the crisis".

An explosion yesterday shook the Japanese ambassador's house but there was no indication that anyone was injured. Policemen gave conflicting accounts about whether the blast occurred inside the house or on its grounds, but later indicated it was an anti-personnel bomb going off accidentally. *Sally Bowen, Lima*

Go-ahead for tobacco suit

Connecticut may proceed with a lawsuit seeking $1bn from tobacco companies to recover the tax money spent treating smoking-related illnesses, a federal judge has ruled after an attempt by tobacco groups to block the state's suit.

Attorney General Richard Blumenthal said he believed it was the first time a judge has thrown out one of the lawsuits tobacco companies have filed to block states bringing Medicaid claims against them. Nineteen states, including Connecticut, have such suits pending.

The companies alleged it was illegal for Connecticut to shift its Medicaid burden on to out-of-state companies making a product the state regulated and taxed. The pre-emptive lawsuit was filed by Lorillard Tobacco, Philip Morris, R.J. Reynolds Tobacco and Brown & Williamson Tobacco, owned by BAT Industries. *AP-DJ, New Haven*

TV standard approved

The Federal Communications Commission yesterday approved the technical standard that will govern the next generation of television in the US, setting the stage for the commercial launch of high-definition television (HDTV) after more than a decade of development.

The FCC approved a compromise technical standard hammered out in November between representatives of the US computer and television industries.

The regulator's move was welcomed by television makers. Zenith Electronics said it planned to start selling HDTV sets in early 1998, to coincide with the expected launch of commercial broadcasts in the new digital format. *Richard Waters, New York*

Brazil telecoms setback

A Brazilian court injunction yesterday halted the transfer of a 35 per cent stake in state telecommunications group CRT, bought last week by a group including Telefónica of Spain. A spokesman said the state had filed an appeal to have the injunction lifted and was confident that would happen in a few days.

The injunction was sought by the Workers' party, which said the state did not own the block of shares because they were used as collateral for outstanding loans. *Reuter, São Paulo*

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Economists say improvement shows companies are succeeding despite appreciation of pound

Trade gap halves as exports to EU surge

By Graham Bowley, Economics Staff

An unexpected surge in exports to Germany and France helped halve the UK's trade gap in October, taking it to its lowest level since the beginning of 1995.

The Office for National Statistics said export volumes to the rest of the European Union grew in October at its fastest rate for 13 months.

This helped cut the UK's trade deficit with the rest of the world to a seasonally adjusted £454m ($758m) – the smallest deficit since March 1995. It compared with a gap of £1.1bn in September. The deficit with other EU countries was £36m, compared with £254m in September.

About half of the rise in exports in October was due to oil and erratic items such as precious stones. Excluding these, the underlying deficit with the rest of the world narrowed to £1.1bn, from £1.5bn in September.

More up-to-date figures show that the trade gap with countries outside the EU widened slightly to £639m in November from £418m in October.

But economists welcomed October's improvement as a sign that UK companies are succeeding in markets elsewhere, in spite of the sharp appreciation of the pound since the summer and still sluggish growth in some European economies.

The improvement will ease fears that fast economic growth could fuel a surge in imports and a sharp deterioration in the trade gap.

ONS statisticians said they now thought the trend was for a narrowing deficit.

Mr Phillip Oppenheim, a Treasury minister, said the figures showed that UK exports were on a strong upward path.

Stripping out oil and erratic items, export volumes to the EU in the three months to October were 4.5 per cent higher than in the previous three months – the strongest growth since September last year.

But economists warned that the recovery in UK investment, expected next year, and continued strong consumer spending could lead to a gradual widening of the deficit as imports were sucked into the UK.

They said sterling's rise – which means that imported goods are cheaper – could also be temporarily depressing the cash value of imports in sterling terms.

But this might rebound when importers have had enough time to react to the lower prices by buying more.

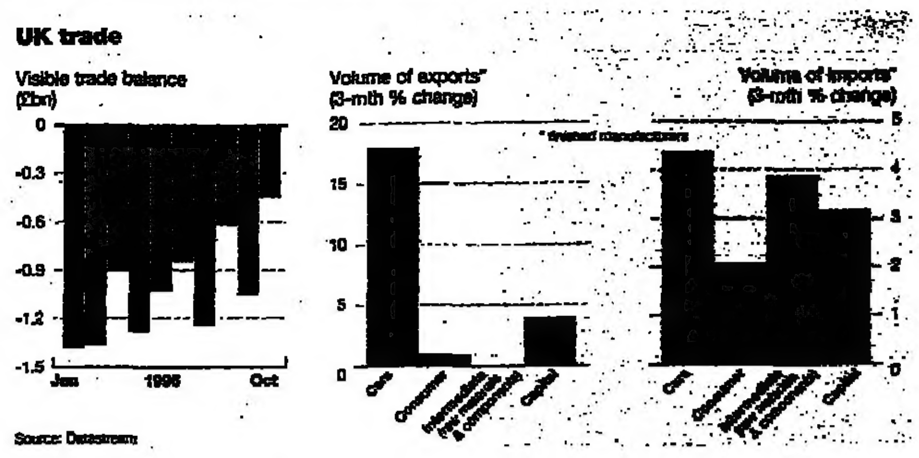
Mr Jonathan Loynes, UK economist at HSBC Markets, said: "The deficit will begin to widen gently in the new year."

The ONS said one big company outside the UK which had been using Britain as a port of entry for goods into the EU before exporting its goods to other European countries had switched its activities to the Netherlands, thus depressing both UK imports and exports.

Statisticians said they did not know yet whether this was a temporary switch – linked to the Channel tunnel fire – or whether it reflected a longer-term move by the company.

Since 1993 statisticians have detected a sharp rise in imports of intermediate goods, especially computer parts, from outside the EU.

These were shipped into the UK and then exported to countries in mainland Europe. But the ONS said this flow of imports had begun to slow.



German group to boost white goods purchases

By Peter Marsh

The German company that is Europe's second largest maker of domestic appliances is planning a big increase in its purchases of white goods from the UK because of the attraction of Britain's low wage costs and flexible working record.

Bosch-Siemens Hausgeräte intends over the next two years to increase four-fold its buying of items such as cookers and washing machines, which it would sell under its own brand in the UK.

The company is a joint venture between Robert Bosch and Siemens, two of Germany's biggest engineering businesses.

Since Bosch-Siemens has no UK production base, such "local sourcing" is essential if it is to make inroads into the UK market while taking advantage of the conditions for manufacturing in the UK.

Purchasing goods in this way – with the products labelled as though made by one manufacturer though in fact made by another – is a common feature of electronic goods manufacture and is similar to the growth of "own label" products in the supermarket trade.

Mr Ernst-Uwe Hanneck, Bosch-Siemens' UK managing director, said he wanted to increase the company's sales in the UK – of about £150m ($250m) a year at factory prices – to about £200m a year by late 1998. As part of this, use of local sourcing of products is targeted to grow from about 2 per cent of Bosch-Siemens' UK sales to 5 per cent to 10 per cent in two years' time.

That equates to stepping up purchasing of this kind from £3m a year now to about £14m a year by 1998.

Bosch-Siemens has also signalled it is still looking out for its own UK production base, through a possible purchase of an existing site. Two years ago it was keen to buy the UK production operations of Hoover Domestic Appliance, part of Maytag of the US, although these eventually went to Candy of Italy for £108m – a price that Bosch-Siemens was not prepared to match.

"We would still be open to having a UK production operation, if this option became available," Mr Hanneck said.

One reason for Bosch-Siemens' interest in the UK is that the white goods market in Britain, after several years of stagnation, is growing faster than in most other large European countries.

Buoyed by a healthy rise in consumer spending and more people buying homes, sales volumes of domestic appliances in the UK are set to expand by about 5 per cent this year even though margins are under pressure due to tough competition.

Opposition leader approves plans for think-tank

By James Blitz, Political Correspondent

The opposition Labour party is set to recreate the Central Policy Review Staff – the think-tank that dominated government policy-making in the 1970s – if it wins the next general election.

Senior Labour figures say Mr Tony Blair, the party leader, has approved plans that would create a new CPRS, which would help the government to develop long-term policies.

Baroness Thatcher, the former Conservative prime minister, abolished the CPRS in 1983. She replaced it with the Downing Street Policy Unit, a smaller unit of civil servants and political appointees.

Senior Labour figures believe the policy unit has too short-term an outlook and is ill-equipped to undertake detailed analysis of the work done by government departments.

They believe one of the merits of the CPRS, which was set up in 1971 by the Conservative leader Sir Edward Heath when he was prime minister, was its ability to co-ordinate detailed research across government departments.

With a much bigger staff than the policy unit, the CPRS examined strategic issues that were not on the government's immediate agenda, such as the future of the Foreign Office, higher education and space policy.

There is speculation that Labour's new body could also play a role in helping the Treasury assess the annual public spending round, replacing work done by the fundamental expenditure reviews introduced three years ago.

One of the main issues facing Mr Blair would be who to choose as a head for the new unit. An obvious candidate would be Baroness Blackstone, the Labour peer and member of the think-tank from 1975 to 1978. Another candidate is Mr Jonathan Powell, currently chief of staff to Mr Blair.

The plan to recreate the CPRS is part of the review under way in and around Mr Blair's office about ways to restructure the main government departments if Labour comes to power.

The party's team on civil service issues is considering whether scrutiny of the service could be strengthened by reforming the activities of Sir Robin Butler, the cabinet secretary.

UK NEWS DIGEST

Meat industry warns of crisis

Meat industry leaders are warning of "blood on the floor" in the slaughtering sector next year if abattoirs fail to agree on a scheme to cut serious overcapacity.

The beef crisis has temporarily exacerbated overcapacity, which industry estimates now put at 50 per cent, said the Meat and Livestock Commission.

The commission is working with the industry on strategies for survival and hopes abattoir leaders will agree in January on a plan to set up a consortium to form a "development" company. It would buy up and close slaughterhouses, selling sites for redevelopment. The plan could cost £20m to £30m ($33.4m to $50.1m), said Mr Martin Palmer, head of industry strategy.

Without concerted action, the inevitable rationalisation would be "extremely messy", he said. "We have seen it happen in other British industries. In five years, it may only be half the size it is now."

But some industry figures doubt whether a voluntary scheme can work. Mr Brian Pack, chief executive of ANM Group, a Scottish co-operative that owns Scotch Premier Meat, said no abattoir would pay up unless it was sure all others were prepared to do so. He feared it would be left to market forces to reduce capacity. "I believe there will be blood on the floor," he said. *Alison Maitland*

■ RAIL FREIGHT

EWS poised to dominate sector

English Welsh & Scottish Railway, the US-owned freight company, is poised to acquire Railfreight Distribution, British Rail's Channel tunnel freight train operator, in a move which will give it a near monopoly of the former BR freight business.

EWS, which has already taken over BR's Royal Mail and bulk freight companies, has been nominated as preferred bidder for RfD, the last of the BR freight businesses to be sold. The only other bidder was Freightliner, a management buy-out company, which moves container trains in the UK.

The timing of the announcement, on Christmas eve, will be seen by the opposition parties and opponents of privatisation as an attempt to avoid criticism of the deal.

EWS, which is owned by Wisconsin Central Transportation, is expected to complete the takeover of RfD early next year, provided it can conclude the financial arrangements for the acquisition. RfD operates trains moving containers, cars and car components and conventional freight between destinations in the UK and continental Europe. *Charles Batchelor*

■ PRIVATISATION

SITA loses municipal bid battle

SITA (GB), part of the French SITA group, has failed to win one of the UK's biggest and most comprehensive contracts to provide municipal services. In October SITA was selected as lead tenderer by the London authority of Lambeth but the £35m contract has been awarded to Serviceteam. The contract will run for seven years with an option to extend to 10.

In the final process SITA was not prepared to meet some of the authority's requirements relating to Tupe, the Transfer of Undertakings (Protection of Employment) Regulations, which concern the rights of workers transferred between employers. *Alan Pike*

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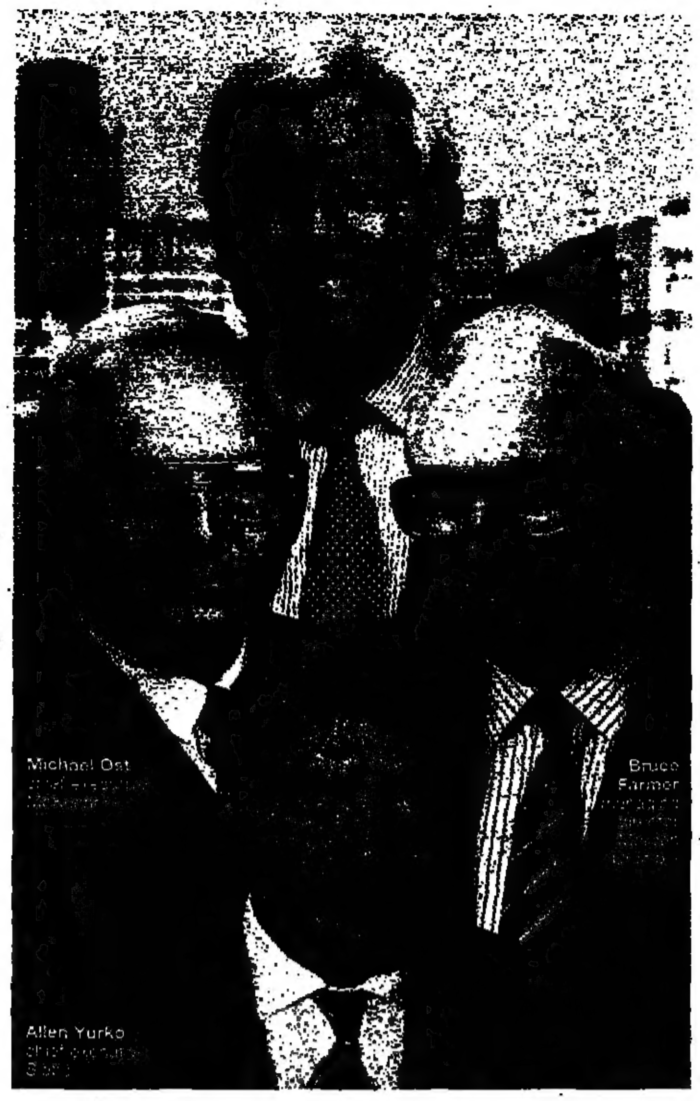
MANAGEMENT



Michael Ost

Bruce Farmer

Allen Yurko

It's good to talk

The task of spreading information between divisions goes right to the top, writes Peter Marsh

Senior executives in big businesses are increasingly turning themselves into "information officers", responsible for at least part of the time with bouncing ideas around their companies.

The role is particularly pronounced at some of Britain's bigger engineering companies concerned with "global sub-contracting" – turning out huge varieties of components to fit into other businesses' products on a worldwide basis. For engineering companies of this sort, involved with dozens of overlapping technologies, putting one part of the enterprise in touch with an idea developed elsewhere can make the difference in winning a substantial order.

TI, the UK engineering group which has annual sales of £1.7bn, provides an example of this spread of information. One-page news bulletins, called "red flashes", are sent throughout the company. These discuss new technical ideas devised by one part of the business that could be useful in others.

The group makes a range of mechanical and polymer-based and mechanical products for, among others, the automotive and aerospace industries. Ideas in "red flashes" could be anything from a new plastics formulation to a seal to stop water leaking into railway carriages.

In spite of the system, Sir Christopher Lewinton, TI's chairman and chief executive, believes the company is no more than a tenth of the way towards ensuring that information is swapped between different divisions in the most efficient way. At present there are a "few dozen" such ideas a year that are channelled around the group, while it should be pushing the figures towards hundreds, he says.

Another company trying a similar approach is McKechnie, with sales of nearly £500m a year, which makes a range of products from plastic parts for computers to aerospace fasteners. Michael Ost, McKechnie's chief executive, says a large part of his job is "looking for opportunities to transfer technology" between different parts of the company so that they can pick up and develop their counterparts' ideas.

One example involved a plastics moulding technology, developed by one McKechnie division for making fuel pipes for vehicles. Other parts of the company adapted the technology to make connectors for incorporation in Hewlett-Packard printers, and also a plastics "trim" product for domestic use in sealing baths.

Siebe, Britain's biggest diversified engineering company, which splits its £3bn-a-year sales between control systems for anything from fridges to cars, plus industrial equipment such as compressors, also has to try to juggle ideas between different parts of the group.

Allen Yurko, Siebe's chief executive, spends up to a third of his time visiting the company's executives in regional and divisional headquarters around the world. At these meetings he typically "brainstorms a dozen potential developments, some of which are bounced back to the divisions for more work. Often I am looking to see how such ideas may be exploited across the group. I have to stay close enough to the action to appreciate what the divisions are doing, but not so close that I inhibit local management."

Through such discussions Siebe took into a new field a computerised sensing technique developed by Foxboro, its factory controls division. The sensing system, based on gas detection techniques, was initially devised for monitoring air quality in process plants in equipment costing about £7,000.

Engineers in another Siebe division, concerned with personnel safety products, modified the technique for personnel protection devices selling for about £700. These are worn by people working in hazardous environments, such as miners.

Morgan Crucible, another UK engineering and materials company which operates globally, has 120 plants in 40 countries and sells products such as carbon brushes for motors and electrical connectors to industries as diverse as off-shore construction, household goods and industrial roofing. Part of its philosophy is to keep business groups small – with annual sales of £850m it splits itself into about 150 subsidiaries each employing up to about 150 people.

In this decentralised organisation, Bruce Farmer, the managing director, says an important role for him is to talk to other people in the group, taking in ideas and passing them on to others. "I spend 95 to 100 days a year visiting other parts of the group. I write no more than 10 memos a year. The flow of ideas is easier if you are discussing things face to face or over the phone."

The company tries to involve other employees in the process; it spends £1m a year on training managers to be more receptive to new thinking and to react quickly to changes demanded by customers.

Out of this welter of discussion has come some useful technical leaps in which, for instance, carbon-based materials used in the mechanical parts of pumps and developed by one unit of the company have also seen service elsewhere in coatings for bearings used in aircraft controls.

Components for electric motors – an area in which Morgan is a world leader – can be experimented with and used in a variety of products from toothbrushes to railway engines and with customers ranging from Black & Decker to Bosch.

Farmer estimates that his company makes "tens of thousands" of different products, with one fifth of this year's sales accounted for by products which did not exist in 1993. He says the measures to help the swapping of ideas are important in keeping up the new product flow.

Executive health · Carol Cooper

A jog along the road to good intentions

Practical new year resolutions that everyone from the boss down should make – and keep

It is traditional to start the new year with an abundance of good intentions, but which resolutions are realistic enough to last 12 months? The following suggestions for a happier and healthier workplace in 1997 consist of five practical ideas for the executive's own well-being, followed by five for the staff, although obviously many can benefit both.

First, let your appetite be a guide to good nutrition and eat only when hungry, not just when entertaining clients or when frustrated by a bad day at the office. That means no comfort eating, but no weird regimes of one lettuce leaf on alternate days either – yo-yo diets are unhealthy.

Make a commitment to exercise. Those with gym or sports facilities at work often have no time to use them, but anyone can fit gentle exercise, like using stairs, into their daily schedule. If nothing else, you will be in better shape for the next train or Tube strike.

Take hourly breaks from the VDU screen, no matter how punishing the pace of work. Even half-a-minute spent stretching neck, back and shoulders, and gazing into the distance makes a big difference.

When things go wrong, keep calm. Irate outbursts both alienate staff and stress the heart – research shows that bouts of temper more than double the aggressor's risk of a heart attack in the next two hours.

Inevitably, work is brought home, literally or metaphorically. To prevent insomnia, don't take unresolved worries up to bed. Instead, set aside 15 minutes or so, with paper and pencil, to debrief before bedtime.

Make health risk assessment part of everyday life. It takes only awareness and common sense to spot potential dangers such as trailing flexes, air vents blocked by artistic displays of holiday postcards, and filing cabinets placed next to desks – they tempt people to stretch and twist rather than get up and do it properly.

Make an effort to comply with legislation. Of course, most employees heed the requirements of the Reporting of Injuries, Diseases and Dangerous Occurences Regulations 1995 on reporting big injuries, but what of less serious events and near-misses? If you take pride in your low accident rate, either your

It is estimated that two-thirds of all dangerous incidents go unreported

company is exceptionally safety-conscious, or there is serious under-reporting. It is estimated that two-thirds of all dangerous incidents go unreported, but businesses need to keep tabs on close calls so they can learn from them.

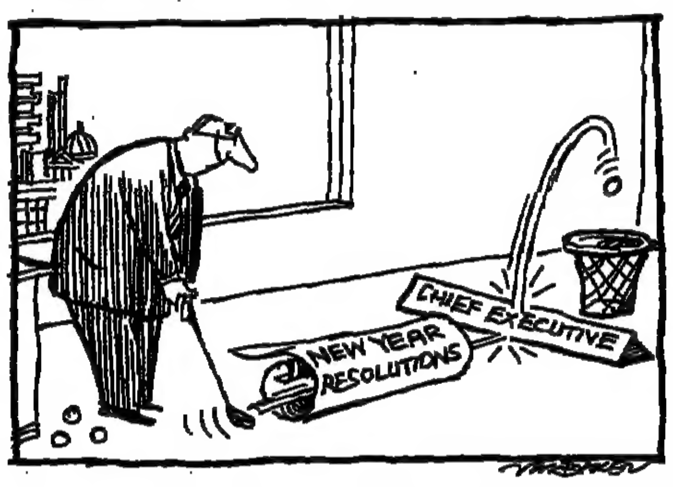
Tackle absenteeism. Good records may be enough to warn staff who medicalise their social problems and "take a sickie" to often. Employers who don't keep records often have 30 per cent higher absenteeism. Interviewing staff on their return is also effective, probably more so than phoning an employee at home when his temperature is 39°C.

Make time to listen to employees. A happy workforce is usually healthier and more productive. Or you may spot symptoms of depression such as slowness, poverty of emotion and inability to enjoy jokes – not just the boss's quips, but genuine wit.

Suicides are rising, especially in men under 35. In a recent study about 45 per cent fell into the category of "executive suicide", where work stress was thought to be an important factor. Many companies offer in-house counselling, but employees should also see their GP.

Finally, no doctor's list of new year's resolutions is complete without mentioning smoking. At work, smokers have a higher rate of absenteeism, more low-back pain (the reason is unclear), and spend more time away from their desks, sometimes huddling outside the main entrance to enjoy a cigarette. If you still smoke too, you could give up with your staff.

The author is a London GP



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INTERNATIONAL COMPETITIVE BIDDING NOTICE

BIDDING Nº PCM 210-38-0004/96

Petróleo Brasileiro S.A. - PETROBRAS has received a loan in various currencies equivalent to US$ 260 million from the World Bank and intends to apply a portion of the proceeds of this loan to purchase material and equipment for the erection of one Hydrotreatment Process Unit at President Bernardes Refinery, in Cubatão - SP - Brazil.

This Bidding will be performed under the rules of the World Bank and its purpose is the Supply of:

One Air Quality Monitoring Mobile Units equipped for air concentration measurement of nitrogen monoxide, nitrogen dioxide and lumped nitrogen oxides, ammonia, sulfur dioxide, hidrogen sulfide, carbon monoxide, total hydrocarbons, non-methane hydrocarbons, speciated C_1 to C_6 hydrocarbons, ozone and particulate suspended matter. The unit also provides surface meteorological data acquisition of wind speed and direction, temperature and humidity, barometric pressure, UV-A and UV-B intensity. Automatic data acquisition, logging and calibration procedures must be supplied.

Bids will be received until 3 p.m. on March 04, 1997. Interested Bidders, from eligible countries, members of the World Bank, and Taiwan, China who comply with all requirements set forth in the Bidding Documents may obtain this Bidding by the submission of a bank deposit slip non-refundable fee of US$ 50.00 (fifty American dollars) for Bidding to be made at Banco do Brasil S.A. - Agência PETROBRAS - Rio, Code 3180-1, Current Account nº 377, 100-8 in the name of PETROBRAS / ADM. CENTRAL, or contact us at the following address:

Petróleo Brasileiro S.A. - PETROBRAS
Serviço de Material - SERMAT
Av. República do Chile, 65 - 6º andar - Sala 602/1
CEP 20035-900 - Rio de Janeiro - RJ Brazil
Phone: (5521) 534-1752
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PERSONAL

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LEGAL NOTICES

In the High Court of Justice No 8373 of 1996
Chancery Division
Companies Court
Mr Registrar Buckley

IN THE MATTER OF THE BIRNDALE GROUP PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 23rd October 1996 confirming the cancellation of the Share Premium Account of the above named company was registered by the Registrar of Companies on 13th November 1996.

Dated this 19th day of December 1996
Nabarro Nathanson
50 Stratton Street
London W1X 6NX
Tel: 0171 493 9933
Ref: PA/AOC/82193/32
Solicitors for the Petitioning Company

LEGAL NOTICES

In the High Court of Justice No 007885 of 1996
Chancery Division
Companies Court

IN THE MATTER OF ROXSPUR PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 10th day of December 1996 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of capital of the above Company from £11,800,000 to £5,900,101.04.

And notice is further given that the said Petition is directed to be heard before the Registrar of the Companies Court at the Royal Courts of Justice, Strand, London WC2A 2LL on the 15th day of January 1997.

Any creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital of the Company should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated this 19th day of December 1996
Nabarro Nathanson
50 Stratton Street
London W1X 6NX
Tel: 0171 493 9933
Ref: BA/GMEA/CXFR11403/33
Solicitors for the Petitioning Company

A CHRISTMAS THRILLER

Collateral Damage

A mystery in five parts by thriller writer Peter Tasker. The story so far: Charlie has discovered that Piers Montagu, Berwick Brothers' star investment manager, whose charred body was found in his country home, had attempted to control the world aluminium market. Clues lead her to the Lucky Snake company.

Peter Tasker, Japan strategist for Dresdner Kleinwort Benson, is author of Silent Thunder and Buddha Kiss. His story concludes in tomorrow's Weekend FT – you could play a part in that final chapter by entering our competition (see panel).

CHAPTER FOUR

Like many things in life, Hong Kong looks a lot better in the dark. So thought Charlie as she gazed out of the aircraft window at the skyscrapers glittering like a tray of expensive duty-free bric-a-brac.

A few minutes later the 747 was gliding past the giant apartment blocks, close enough to see the families at dinner, then careering down the perilously short runway and juddering to a halt just yards from the murky waters of the harbour.

The taxi-driver, whose English language comprehension was the worst she had come across outside New York, deposited her at the Peninsula Hotel shortly after eight.

Charlie left her bag with the concierge, then took the Star Ferry over to Wanchai. She was just in time for her dinner appointment with Alan Lau, senior columnist

> 'This club has over 2,000 hostesses on its books. And Donald interviewed every one of them.'

on the South China Herald. It was the first time she had seen him since going down from Oxford.

"Charlie, you look great."

"You too. You're looking so ... so distinguished." In fact Alan was looking middle-aged. His hair-line was in full retreat, and his androgynously sleek features, which Charlie had once found so attractive, were marked with stress-lines.

"The heat is on," he explained. "When I went to Beijing in the summer to cover the party plenum, my room was turned over and all my papers were stolen. Then just last week someone took a baseball bat to my car."

"Why for God's sake?"

"That's the interesting point. I'd done a lot of critical stuff before, but no one ever cared. What I've been focusing on this year is a series on factional struggles in the higher echelons of the army. Obviously someone cares about that. It's a clear signal that as of next July my career here as a journalist is over."

"With your reputation, you could go anywhere, Alan. Singapore, for example."

That made Alan chuckle, and something of the old smooth charm returned to his face. "An investigative journalist moving to Singapore? That would be like a downhill skier moving to Jamaica."

Charlie waited until the dim sum had arrived before broaching the subject of the Lucky Snake group. "If only I could write what I knew about those people," said Alan with a sigh. "What a story that would make. You know the basics, I suppose?"

The basics proved to be a lot more complex than Charlie had realised.

Apparently, old man Wu had been born in Shanghai at the turn of the century, and the family's "great leap forward" in the mid-1980s had been sponsored by top-ranking cadres in the Shanghai faction of the CCP.

It was after his father's death that Alexander, who was born and bred in Hong Kong, began shifting allegiance, cultivating army leaders just over the border in Guangdong province.

According to Alan, the Guangdong faction was militantly opposed to central authority. "They don't want to pay taxes to Beijing or obey any credit controls, though of course they still demand their share of the subsidies. The Communist party calls this 'warlordism'."

"The Scots call it devolution."

Alan bit into a crabmeat dumpling. "Anyway this is what caused the rupture between the brothers. Donald considers that Alexander is dishonouring his ancestors. As the elder son, it's his duty to preserve the traditional link with Shanghai."

"Donald?" said Charlie, taking a sip of the soapy Tsingtao beer.

"Didn't I tell you? Donald is the black sheep of the family. These days Alexander barely acknowledges his existence."

"Do you think I could meet him?"

"No problem, Charlie. Donald Wu is very keen on attractive ladies."

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Just how keen became apparent a couple of hours later when Alan took Charlie to the Club Dante, an enormous disco in the neon-splattered centre of Kowloon.

The doorman was a tall Sikh with a jewel flashing in his turban. He muttered something into a walkie-talkie, and in a matter of seconds a vintage Bugatti appeared from the cavernous interior. The tuxedoed chauffeur ushered them into the back seat, then drove them to their table on the far side of the dance floor.

"This club has over 2,000 hostesses on its books," shouted Alan above the roar of the pounding music. "And Donald Wu personally interviewed every one of them."

Charlie peered through the gloom. Everywhere she looked there were girls in long slit-leg skirts pouring drinks, stroking cheeks, wrestling with drunken businessmen on the dance floor. Thai girls, Latino girls, black girls, bottle-blonde Essex girls – all shapes and sizes were represented.

"He once tried to list this place on the stock exchange," went on Alan. "But the deal fell through. Now it's his own private playground."

Just then the crowd cleared away from the dance-floor, leaving a slim Chinese man in a white suit in the middle. He lifted a cordless microphone above his head, executed a few kung fu-like sweeps of arm and leg, then broke into an even slushier Cantonese version of a slushy Phil Collins song.

"That's Donald Wu," said Alan when the music finished. "Now you can see why his younger brother took over the management."

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"Liked your singing," opened Charlie 10 minutes later. "Have you ever thought about going professional?"

"I'm, like, thinking of putting on a concert here in Hong Kong. Just, like, for my friends, you know."

Donald Wu spoke with a soft American accent. He was sprawled on the sofa in the manager's office, mopping the perspiration from his face with a red silk handkerchief.

"I mean in the west," said Charlie, "there's a lot of interest in world music these days. The Virgin people were telling me just last week that they're crying out for new talent from Asia."

"You act for Virgin?"

"That's right. My bank advised on the EMI deal. If you like, I'll mention the idea next time I see them. Who knows – you might end up duetting with Phil Collins."

That was a deliberate probe of the man's reality level: if he laughed, the reading was normal. Donald Wu didn't laugh. Instead, he gave a self-deprecating shrug and tossed his handkerchief at the buxom filippina who had brought the drinks.

"Of course, someone in your position could have bought the whole company," continued Charlie. "There might have been quite a few synergies, given the assets of the Lucky Snake group."

Such as the savings from using your ultra-low-cost CD manufacturing facilities.

> 'I was a friend of Piers. Before he died he told me about his dealings on your behalf.'

Again words that formed in Charlie's brain, but never made it to her mouth. One day she was going to forget to intercept them.

Donald gave a dismissive wave of the hand. "It's my brother who does all that stuff. And he's got no understanding of music at all."

"Actually I'm visiting your brother tomorrow. I'll certainly give him my opinion on the potential for entertainment software. Look at Disney. Look at Polygram – it's worth more than the rest of Philips put together."

Donald's eyes narrowed. "You're seeing Alexander? What for?"

"Oh, financial co-operation," Charlie said vaguely.

"Didn't he explain it to you?"

"No, he didn't," snapped Donald Wu and reached for the microphone on the table. It was time for the next performance.

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In fact Charlie hadn't been expecting to meet Alexander Wu in person. Nonetheless there he was at 10 o'clock the next morning, staring across the table with ill-concealed hostility. What was she doing? How much did she know? The man's tension was palpable. "No, we have no intention of divesting any of our assets here," he snapped at her opening question. "The future of Hong Kong is healthier than ever before."

They were sitting in the Lucky Snake office in the Landmark, looking out on a three-windowed panorama of the harbour. The turbid water was busy with boats; tug, tramper, skiff, ferry, frigate, junk.

On one side, Wu and his finance director. On the other, Charlie in the guise of a fund manager scouting out potential investments. "Your companies are structured in an extremely complex way," she continued. "What exactly do you see as your core competences?"

"My core competence is making money. Wherever that leads me, I go."

The two brothers were the same height and build, and shared the same petulant downturn to the mouth. But Alexander looked much smarter, as befitted a Harvard MBA. He spoke with a staccato Cantonese accent that couldn't wait to rush on to the next sentence.

"And does it lead you to relabel goods made by children and political prisoners?" Charlie had got that from Alan Lau. She had thought it would get a response, and she was right.

Alexander's fist crashed down on the desk. "Listen, we don't need to take any lessons on morals from you British. Why did you come to Hong Kong in the first place? To sell opium, to steal like pirates – that's why!"

"That's a long time ago," protested Charlie.

"Not for China, it isn't. You talk so noble now, Chris Patten and Margaret Thatcher and so on, but we remember what happened. It's not forgotten."

"Then what about the Japanese? You seem quite happy to do business with them." Wu froze. The finance director eyed him nervously.

Charlie paused before continuing, then chose her words with great care. "I think you have had indirect contact with my bank before, Mr Wu. I was a close friend of Piers Montagu, very close. Before he died he told me about his dealings on your behalf."

Wu motioned for the finance director to leave the room.

"Go on," he said, suddenly quiet.

"We just want your co-operation," said Charlie pleasantly. "If you return our money by the end of the week, we will take no further action."

"What money are you talking about?"

"I think you know what I mean."

Alexander Wu got to his feet, a humourless smile on his lips. "This meeting is now over. If you have any claims against the Lucky Snake Group, you should go through the normal legal channels. Goodbye, Miss Deane. Have a nice trip home."

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So the first approach yielded nothing. As Wu must have known, they had no legal proof of his involvement. And at this rate the bank was not going to last out the week anyway.

Charlie sat in the lobby of the hotel, sipping a cup of mint tea and pondering her next move. One of the bell-boys crossed her line of sight. He was ringing a handbell and carrying a placard with her name on it. "Paging Miss Charlotte Deane, paging Miss Charlotte Deane."

Apparently there was a call waiting for her at the front desk. When Charlie picked up the phone, it took her a few seconds to recognise the soft Californian accent.

"How you doing there? Did you get anything going in the meeting?" It turned out that Donald Wu was calling her for a specific reason. There was going to be a big party that night to celebrate Alexander's 40th birthday, and Donald would be really happy – here he sounded almost shy – if Charlie would accompany him.

"But wouldn't your brother mind?" That peeved him.

"Hey, he may run the business, but he doesn't run my life, you know!"

So it was fixed. The only question in Charlie's mind was how Donald had known when to page her. Possible answer: because he was watching. Charlie turned to scan the lobby and the phone went dead. Through the revolving door she glimpsed a white Rolls-Royce pulling out into Salisbury Road.

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The Lucky Snake Group acquired its name when old man Wu found an 8ft python in the grounds of his house in Clearwater Bay. Since that day, the prosperity of the family had never once faltered. The reptile was fed regularly with live chickens, and after its death its bones were mashed up into a medicinal paste, which was still consumed on special occasions.

Charlie was being regaled by Donald with this and other tales as she sipped a cocktail in the garden of his brother's villa on the Peak. The sunset was spectacular, the sea glinting like a mirror, orange clouds over the Pearl estuary, shadowy mountains masking the vastness beyond.

The party was pretty spectacular too. On one side of the lawn, a Dixieland jazz band flown in from New Orleans; on another, performers from a top Chinese circus. Charlie watched in fascination as an apparently drunken clown staggered his way up a pyramid of acrobats.

"What are you doing here, Miss Deane?" Alexander Wu was standing at her shoulder, and the expression on his face was less than celebratory.

"Your brother was most persistent," said Charlie, nodding in the direction of Donald, who had gone to fetch another drink.

"Stay away from my family. We won't tolerate any troublemaking."

"You certainly didn't tolerate Piers Montagu for long. It's no secret, you know. We can make life very difficult for you."

"Really?" said Wu sarcastically. "How exactly do you plan to do that?"

Charlie dropped her voice to a whisper. "There'll be an international arrest warrant. You may be safe here, but you can forget about your house in Vancouver and your girlfriend in Los Angeles. And we won't give up. One day you're going to wake up and find Beijing has swapped you for a couple of Harriers."

Pure bluff, of course, but the gossip gleaned from Donald in the Rolls hit home.

Alexander's face tightened. He was on the point of reproducing his explosion of the morning when one of the waiters appeared at his side and passed him a note. Alexander glanced at it then glowered at Charlie. "This man will escort you to the door. If I see you here again, I'll have you thrown out physically."

He turned and hurried towards the French windows, his metal-rimmed

> The heels were close now, just the other side of the door. Charlie scrambled on to the sill.

heels ringing on the paving stones. The waiter took Charlie by the elbow and steered her to the entrance.

Out of the corner of her eye, Charlie saw Donald Wu pushing through the crowd, a wine-glass in each hand.

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Seconds later the waiter deposited her in the hallway, then returned to the party, mission accomplished. Charlie was gathering her coat when she heard a car-door slam, then Alexander's heels clicking along the corridor towards her. Instinctively she buried herself in the rack of coats and waited for him to pass.

But he didn't.

Instead, he stopped no more than a yard from where she was hiding. "It's been a long time," he boomed, suddenly genial.

"Yes it has," said another, heavily-accented voice. "I hope all is satisfactory, Mr Wu."

"If Mitsukawa is satisfied, then we are satisfied too."

The voices moved away. Peering out from between the coats, Charlie saw the two men walk down the corridor and disappear through a door at the end. So this was it. Mitsukawa and Wu were in bed together. The evidence was right under her nose.

Instead of going to the front gate, Charlie slipped round to the other side of the house, which looked out on a well-maintained tennis court.

Assuming the manner of a lost party-goer, she ambled down the path.

There was one window at the back of the house. It was half-open, the curtains fluttering in the breeze. Peering through the gap, Charlie glimpsed the two men standing in a small study-like room.

Wu had his back turned to Charlie. The other man took a small envelope from his pocket and handed it to him.

Wu went to the bookcase, and slipped the envelope between the pages of a book.

After some murmured conversation, the two men left the room. A split second to size up the risk-reward ratio, then Charlie made her decision. She clambered on to the window sill, pushed aside the curtain, and jumped lightly to the ground.

Outside she could hear Wu's heels clicking up the corridor.

Now which book was it? She pulled a couple from the bookshelf, but found nothing inside.

Then she froze. The sound of the heels slowed, stopped. Now it was coming back towards her, fast.

Last try – Charlie grabbed a book and shook it. The envelope fell to the ground. Inside was a single floppy disc. She pocketed it and stuffed the book back into place.

The heels were close now, just the other side of the door. Charlie scrambled on to the window-sill. As the door swung open, she leapt to the ground, tumbling over in the undergowth. Her head hit something hard, and for the next few moments the world went black.

Charlie lay motionless, soundless.

When she had recovered her breath, she hauled herself to her knees. Half stunned, at first she didn't realise what her hands were gripping – a pair of stripey trousers.

Charlie looked up to see a grotesquely large mouth grinning down. Paint-ringed eyes blinked bloodshot. Strong hands reached under her armpits, and dragged her off her feet.

Then the clown wrapped his fingers around her throat and started to squeeze.

... TO BE CONTINUED

Natasha becomes the problem. Don't miss the climax to Collateral Damage in tomorrow's Weekend FT

All characters and companies in this novella are fictitious.

The Competition

The Last Word

Collateral Damage will end with an epigram written by Peter Tasker. Pit your wit against that of the author by bettering his final line, which will be an old style saying with a bit of a twist. For example:

'When the year grows cold, we know the pine and the cypress are the last to fade'
Confucius

'It never troubles the wolf how many the sheep be'
Virgil

'It is the wisdom of rats, that they will be sure to leave a house somewhat before it falls'
Francis Bacon

'Tax is not a burden to the wise man – he has a clever accountant'
Piers Montagu

What we want is an old-style epigram with a modern commercial flavour, along the lines of the Montagu example above. It needs to have wit and to reflect the spirit of Collateral Damage. We are asking you to submit your entries ahead of the final chapter, and will award extra points to the prescient.

The five funniest, original entries will receive an FT hamper hand-picked by its specialists: bottles of red and white wine chosen by Jancis Robinson, the FT's wine writer; the fiction and non-fiction books of the year, as judged by Annalena McAfee, literary editor; a classical and a popular CD selected by our music writers; and a couple of good taste goodies chosen by Lucia van der Post, How to Spend It editor.

How to enter

Send your entries by electronic mail to collateral.damage@ft.com or by fax to 44-171-873 4433 or by phone on 44-171-873 4566. You can only enter between 11am (GMT) and 11pm today, Friday December 27.

Terms and Conditions

This competition is open to FT readers aged 18 years and over. Entries must be submitted to one of the above addresses by telephone, Fax or modem, and must be received by 11pm (GMT) today, Friday December 27 1996. The winning entries, as selected by an independent panel of judges will be published in the FT on Monday December 30 1996. The decision of the judges is final and no correspondence will be entered into. All prizes will be dispatched to winners within 28 days. There is no cash alternative. Copyright in all entries will be the property of the Financial Times.

Cinema in 1996/**Nigel Andrews**

'Twixt costume and the kitchen sink

We reviewers are all expected to do it, but branding years is like branding cattle. The poor creature – in this case 1996 – must stand still while the critic scorches his summary on its hide. The reek of presumption is overpowering, but everyone likes that clear incandescent verdict: Was the year good? Bad? Was the prevailing theme feminism; racism; existentialism; food poisoning; intermarriage? And what of the future of cinema?

The answers are respectively yes, yes, yes, no, yes, no, no and "Erm."

One thing can be said with confidence: it was a good year for Britain. I am often accused of being unpatriotic, preferring Hollywood to Pinewood for field trips and being more interested in the planetary aftershocks of a bestselling American film than the pebble-in-puddle impact of most UK movies.

But a year that included *Secrets And Lies*, *Sense And Sensibility*, *Richard III*, *Trainspotting*, *Jude*, *Boston Kickout*, *The Pillow Book* and others is a miracle year for Britain. Even the Oscar-festooned Nick Park saw his fame spread further. When I was in New York last month the thing most people talked about was the disappearance of Wallace and Gromit; never mind the same-week presidential election.

British cinema still spends its time either in costume or in the kitchen sink, with social realism and heritage cinema fighting for that small inch of ground that is the free screen in a Tinseltown-dominated multiplex. But this year rivalry produced riches.

Mike Leigh and Ang Lee offered contrasting takes on English family life. And Scotland, shocked into indigenous activity by the recent sight of Mel Gibson taking over their history, made the spirited *Trainspotting* and the piquant *Small Faces*. That land's native son Ewan McGregor emerged into stardom beyond Caledonia, through the judicious steps of a Jane Austen film (*Emma*) and a nude Peter Greenaway role (*The Pillow Book*).

It may be that Britain now has the strongest film culture in the world

It may be that Britain now has the strongest film culture in the world. If so, it can be down to two things: the country's vigorous hunger for self-expression (including the free play of colourful self-doubt) after the regimented *braggadocio* of the Thatcher years; that and the coming of age of a group of directors, led by Leigh and Greenaway, who have moved beyond the parading of mannerisms into an assured if still quirky tragicomic vision.

The rest of the world can be dealt with in short order. American cinema has no idea what *it* is doing, which is just as well since it is doing almost nothing. A year of senseless barnstormers on the large screen - we give the honestly insane *Independence Day* and *Mission: Impossible* precedence over the numbskulled *Twister* and *Cutthroat Island* - was not compensated for by goodish but modest low-budget films.

The comedies *Denise Calls Up* and *The Truth About Cats And Dogs* proposed an intriguing new genre, the telephone love story (properly prophylactic in the age of HIV). The Coens' thriller/black comedy *Fargo* was a little triumph, though both those words are *justes*. And while I might take *Tin Cup*, *Toy Story*, *Thing To Do In Denver When You're Dead*, *The Cable Guy* and even Oliver Stone's darkly grandstanding *Nixon* to a desert island, I am not sure that I would bring them back again.

One other thing. In an age when stars have so much power that they can initiate projects, what did some of these stars think they were doing? Geena Davis in *Cutthroat Island*, Julia Roberts in *Mary Reilly* and Demi Moore in more films than we care to count showed that nothing is more reckless than an emancipated female star. Emancipate men, however, competed keenly. We remember, despite our best efforts, *Up Close And Personal* (Robert Redford), *Sabrina* (Harrison Ford) and *Jack* (Robin Williams, who would also like *The Birdcage* taken into account).

In Europe and points east stars do not exist, except for Gerard Depardieu, so the director is still master of his dominion. The problem is, where *are* the directors? Or at least the new ones?

A Summer's Tale was a radiantly witty French love story, but its maker was the sere Eric Rohmer. *Nelly And M. Arnaud* was a sharp human comedy from the hardly youthful Claude Sautet. And Claude Chabrol's *La Cérémonie* was a black comedy to die for, directed by a man whose first to-die-for films were made forty years ago.

The few outstanding new directors from foreign climes were Hong Kong's Yim Ho (*The Day The Turned Cold*), Japan's Hirokazu Koreeda (*Maborosi*) and France's Cédric Klapisch (*When The Cat's Away*). This is not enough to keep world cinema ticking over and one has to ask: Is great film-making a thing of the past?

Not only are there are no figures with the authority of style and grandeur of wit, the sweeping moral vision and eclectic human curiosity, of a Renoir, a Bergman, a Godard, a Fellini or a Fassbinder; but there almost seems no *room* for them in today's cramped socio-psychological climate.

Not just mainland Europe but the world at large is in a dither about purpose and identity. In much of the west the politicisation of minds after the 1960s, and its deadly bequest of political correctness, planted the idea that personal destiny is an unworthy theme. Art must talk about nationhood and responsibility, about ethnic identity and gender emancipation, about social macro-visions.

A few directors skilled at marrying political and personal motifs, like Krzstsztof Kieslowski, Zhang Yimou, Lars Von Trier (of *Europa* not *Breaking The Waves*) and even America's Oliver Stone have thrived. Everyone else with talent sits about, biting his or her nails or his or her tongue. When a film-maker does make a dash for free speech in this repressive world mindscape, he comes out with a nervous, brittle and self-consciously 'outrageous' film like *Crash*.

It is time to restore egotism, obsession and individual life to the forefront of art. We have been sanctimonious long enough in pretending, and forcing artists to pretend, that Self is less worthy a subject than Society. History teaches us that great movies about human beings – *Citizen Kane*, *La Grande Illusion*, *Bicycle Thieves*, *The Godfather* – have an uncanny knack of becoming great films about the society they depict or the society in which they were made. It almost never works the other way around.

★

Ten best films of 1996:

A Summer's Tale, *The Pillow Book*, *The Day The Sun Turned Cold*, *Trainspotting*, *When The Cat's Away*, *La Cérémonie*, *Secrets And Lies*, *Fargo*, *Richard III*, *Maborosi*.

British directors have come of age: Vivian Wu in Peter Greenaway's 'The Pillow Book'

Art in 1996/**William Packer**

Away from the cutting edge

It may not have felt so at the time, but I have to say, looking back, that 1996 was not at all bad for the visual arts. Was it therefore a great year? Do we declare the vintage?

There were certainly some outstanding shows, and many good ones, but the best were almost all either historical or confirming established reputations. Anything purporting to be groundbreaking, issue-addressing, preconception-challenging, new, exciting, cutting-edge, was usually pretty dire. To get those doubtful accolades out of the way at once, here are the nominations: The Turner Prize (Hume, Patterson, Horsfield, Gordon), for again being the Turner Prize; Tacita Dean at the Tate, for discovering that film-makers use sound effects; *ACE*, for showing up the Arts Council in its role as collector; *Picturing Blackness* at the Tate for crass politically-correct revisionism; New Contemporaries, for encouraging the young; Richard Wilson for not knocking down the Serpentine, but only boring a few boring holes. And the winner is – last among equals, ACE.

I must admit, though, that in this general area I did occasionally have my fears confounded. Rachel Whiteread's retrospective at the Liverpool Tate, all those filled-in spaces beneath chairs and under floor-boards, was both impressive and beautiful, collectively so much more than the sum of its parts.

The young abstract painter, Callum Innes, at Inverleith House in Edinburgh, memorably showed off of his beautifully-judged reductive minimalism. Also at Edinburgh, in a tiny show at Portfolio, the late Helen Chadwick's last photographic works had, *for me at least*, an unexpected poignancy and strength.

But across the broad board of contemporary art, the older painters and odd sculptor were the artists who made the year more interesting for me – quite at odds with the apparent policies of such as *the Arts Council* and the Tate, who seem to hold that only the young thrusters at the "cutting-edge" (dread term) can have any current relevance. The Tate itself gave away the critical vacuity of that position with its splendid, long-overdue retrospective of Leon Kossoff, now 70 and at his best.

But even better was Prunella Clough's show at Camden, of her paintings of the past 20 years. That she has not been given that same full Tate treatment long ago, been gonged and Damed and made into the international star she ought to be, is more than a *scandal: it is a mystery. She*, at well over 70, is still as good a painter as any we have. Hers was my show of the year by a living artist.

Other first-rate painting shows, and all by comparative oldies, were the David Hepher at the Museum of London; the Howard Hodgkin at the Hayward; Leonard Rosoman and Norman Blamey together at The Fine Art Society; John Wonnacott at Agnew's; Karl Weschke in a special display at the Tate; Elizabeth Blackaddder and David Michie one after the other at the Mercury; Norman Adams at the Beaux Arts; and John Hubbard, who won the Jerwood Prize, at Purdy/Hicks. The touching and delightful memorial exhibition to Roger de Grey was no less a duty and a *compliment* than the Royal Academy owed its former president.

'After the Bath: Woman Drying Herself' in 'Degas: Beyond Impressionism' at the National Gallery

Nigel Hall and David Nash at Annely Juda, Bill Woodrow at the Tate, Jake Harvey at Art First, and the too-long-neglected Kenneth Armitage with a deserved revival at the Yorkshire Sculpture Park, have all variously helped to keep the currency of British sculpture strong. As for modern foreigners, Jasper Johns' flags at Anthony d'Offay was an important special study, while the Carl Andre retrospective at the Museum of Modern Art at Oxford was a salutary check to any too-easy denigration of minimalist sculpture. The most captivating contemporary sculptures, however, were the painted portrait carvings of Katsura Funakoshi, at Annely Juda.

Abroad, British Art has had its moments too, and if the survey of 20th century British sculpture at the Jeu de Paume in Paris was an ill-chosen failure, the disappointment was more than made up by the splendid Francis Bacon exhibition at the Centre Pompidou, and *the exquisitely presented* show of Henry Moore's working plasters at Nantes, both of them illuminating and definitive studies of their subjects.

Abroad indeed was far from bloody, offering as it did this Uncle Matthew some of the greatest treats of this or any year. The *Vermeer show at the Hague*, which brought together two-thirds of the known oeuvre, barely two dozen pictures, of this most particular and refined of masters, was something we shall simply never see again. Corot, at the Grand Palais in Paris, continued the great sequence of study *exhibitions by which the great* masters of French painting are being picked off, one by one.

Two masters of the Danish Golden Age of the early-19th century, Christian Kobke and the rather less familiar Wilhelm Bendz, were each given the full treatment in Copenhagen, to remind us how much we lose by our general ignorance of northern European painting. Back in Paris, the Adolph Menzel retrospective at the Musée d'Orsay, did as much for German painting, filling in the gap between Romanticism and the expressionism of Lovis Corinth, which we shall see when the recent Berlin show comes to the Tate in the spring.

In Venice, the Palazzo Grassi gave most of the year to the latest in its series of cultural studies of the ancient world, this of the Greek diaspora westwards through Mediterranean. And the *refurbished Ca' Rezzonico suitably* celebrated the tercentenary of the birth of Gianbattista Tiepolo, the greatest of Venice's painters of the 18th century, which is to say, one of her greatest ever, peer of Titian and Veronese. Back in Paris, at the Grand Palais the Picasso Portraits *brought us back to the 20th century*, while yet maintaining the continuity of the great tradition. No bad way to end the year.

Which brings us at last to a year at home of truly remarkable exhibitions, large *and small*, that began with Cézanne at the Tate, and still has the Malcolm Collection of old master drawings at the British Museum, the Grand Tour at the Tate, Rubens' landscapes at the National Gallery, and Giacometti at the Royal Academy. In between we have had Lord Leighton at the RA, an acquired taste, no doubt, but still to be savoured, and a small Millais show at Southampton that deserved a wider showing. Leonardo's drawings, some unexhibited before, have filled The Queen's Gallery. William Morris was handsomely celebrated at the V&A, Charles Rennie Mackintosh at the McLellan Galleries in Glasgow. The Raphael Cartoons are back on show again at the V&A.

Up in Edinburgh, the small show of the work of Velazquez as a young man at Seville was real coup. Richard Green put on a *memorable show of Jan van* Goyen, that most delicate of the Dutch 17th-century painters. Spink's fine show of Augustus John's drawings, Jack Yeats at the two Waddingtons and the Renato Guttuso at Whitechapel were all useful and timely re-examinations of neglected reputa*tion*.

And so for the rest of the Packer Awards. The Vermeer was I suppose the best of the old-master shows abroad, but the Tiepolo was my favourite, the Bendz the most surprising. Best 20th-century show abroad was the Henry Moore at Nantes. Best *domestic Modern British was the* show of Paul Nash's second world war paintings and drawings at the Imperial War Museum, with Christopher Wood's Two Cornwalls, at the St Ives Tate, a *fair* second. And the Giacometti show, the best account of the artist as both *painter and sculptor that we* have yet had, was, in its original display at the Scottish National Gallery of Modern Art in Edinburgh, the best Modern exhibition of the year overall.

But best of all, better than the Vermeer, Picasso, Tiepolo, Leonardo, Moore or Bacon, Giacometti or Velazquez, was the National Gallery's show of Degas' sets of working drawings, with associated sculptures. For bringing us so enthrallingly close to a great artist as he worked, *Degas: Beyond Impressionism* was for me the exhibition of the year. Yes, after its fashion, it was a vintage year.

INTERNATIONAL ARTS GUIDE

■ ANTWERP

CONCERT

Bourlaschouwburg Tel: 32-3-2319750

● Koninklijk Filharmonisch Orkest van Vlaanderen: with conductor Grant Llewellyn, soprano Lena Lootens and mezzo-soprano *Katharina Kameus perform* works by Rossini, Bellini, Verdi, Strauss, Lehár and Offenbach; 8pm; Dec 31

■ BALTIMORE

EXHIBITION

Baltimore Museum of Art Tel: 1-410-396-6300

● Landmarks in Print Collecting: Masterpieces from the British Museum: travelling exhibition including some 100 works from the Britsh Museum's collection ofmore than 2m prints. Together, these works chronicle the history of western printmaking and provide an *historical account of* the British Museum's print collection. Some of the artists included are Dürer, Gauguin, Hopper, Kirchner, Manet, Master E.S., Munch, Rembrandt, Schongauer, Seghers, *and* Toulouse-Lautrec; to Jan 5

■ CHICAGO

EXHIBITION

Art Institute of Chicago Tel: 1-312-4433600

● Degas: Beyond Impressionism: exhibition focusing on the works created by Edgar Degas in the later years of his career. The exhibition comprises more than 90 works drawn from major public *and private collections* in Europe, Japan and the US and focuses on the artist's work of the 1890s and 1900s. Included are paintings, pastels, drawings and sculptures. This exhibition was previously shown at the National Gallery in London. In Chicago a special section is added to the exhibition, including about 20 paintings, drawings, prints, and pastels from the Art Institute's own Degas holdings that have been chosen to provide a general overview of Degas' *career up to the moment* that marks the beginning of "Degas: Beyond Impressionism"; to Jan 5

■ COLOGNE

OPERA

Opernhaus Tel: 49-221-2218240

● *Die Zauberflöte: by Mozart.* Conducted by Erich Wächter, performed by the Oper Köln. Soloists include Iride Martinez, Dorothee Jansen and Ute Döring; 4pm; Dec 28

THEATRE

Schauspielhaus & West-end-Theater Tel: *49-221-2218240*

● Faust (Parts 1 & 2): by Goethe. Directed by Günter Krämer and performed by the Theater Köln. The cast includes Hans-Michael Rehberg, Martin Reinke and Birgit Walter; 7.30pm; Dec 28, 29

■ HAMBURG

EXHIBITION

Museum für Kunst und Gewerbe Tel: 49-40-24862732

● Gegen den Strom - *Expressionistische Tanzmasken* von Lavinia Schulz and Walter Holdt: this exhibition on the occasion of the centenary of the birth of mask dancer Lavinia *Schulz gives an overview of her* work and that of her partner – both on stage and in life – Walter Holdt. The display features masks, drawings, photographs and other objects; to Jan 5

OPERA

Hamburgische Staatsoper Tel: 49-40-351721

● Die Fledermaus: by J. Strauss. Conducted by Stefan Soltesz, performed by the Hamburgische Staatsoper. Soloists include Daniels, Ritterbusch, Sommerfeld and Neumann; 6pm; Dec 29

■ LONDON

CONCERT

Queen Elizabeth Hall Tel: 44-171-9210600

● Le Nozze di Figaro: by Mozart. Concert performance, conducted by Ian Page and performed by the Brava Ensemble. Soloists include Christopher Parke and Lynne Harman; 7pm; Dec 28

Wigmore Hall *Tel:* 44-171-9352141

● Alfredo Perl: the pianist performs Beethoven's Sonata No.1 in E, Op.14, Sonata No.2 in G, Op.14, Sonata in A, Op.101 and Sonata No.3 in E flat, Op.31; 7.30pm; Dec 28

DANCE

Royal Festival Hall Tel: 44-171-9604242

● The Nutcracker: a choreography by Ben Stevenson to *music* by Tchaikovsky, performed by the English National Ballet. Soloists include Zoltan Solymosi and Daria Klimentova; 2.30pm & 7.30pm; Dec 27, 28

EXHIBITION

Queens Gallery Tel: 44-171-9304832

● Leonardo da Vinci: One Hundred Drawings from the Collection of Her Majesty The Queen: this exhibition includes preparatory sketches for paintings such as the "*Adoration of the Magi*" and the "Last Supper", designs for equestrian monuments, war machines and costumes for court entertainment. Next to these sketches this exhibition features studies relating to his enduring interest in water, flight and his studies in anatomy; to Jan 12

Royal Academy of Arts Tel: 44-171-4397438

● Alberto Giacometti (1901-1966): major exhibition of works by this Swiss artist. Over 200 sculptures, paintings and drawings give a survey of his entire career from his early interest in cubism and *abstraction, and his experiences* with "kinetic" sculpture, to his creation of more figurative sculpture and his lean standing figures which began to appear in the 1940s; to Jan 1

■ MADRID

CONCERT

Fundación Juan March Tel: 34-1-4354240

● Maria Aragón and Fernando Turina: the mezzo-soprano and *pianist perform* works by Moreno, Guastavino, Garcia-Abril, Montsalvatge and Bernaola; 12noon; Dec 28

■ NEW YORK

CONCERT

Avery Fisher Hall Tel: 1-212-875-5030

● Canadian Brass and members of the New York Philharmonic: with trumpeter Jens Lindemann perform works by Handel, Gibbons, Albinoni, Gabrieli and others; 3pm; Dec 28, 29

OPERA

Metropolitan Opera House Tel: 1-212-362-6000

● La Bohème: by Puccini. Conducted by Nello Santi, performed by the Metropolitan Opera. *Soloists include* Racette, Geyer, Giordani, Michaels-Moore, Whelan, Tian and Berberian; 8pm; Dec 28

■ PARIS

EXHIBITION

Centre Georges Pompidou Tel: 33-1-44 78 12 33

● *Munio Gitai Weinraub:* exhibition devoted to the work of the architect Munio Gitai Weinraub (1909-1970) who was a student at the Bauhaus in Dresden in the early 1930s and formed a partnership with Al Mansfeld for some 20 years (1937-1959), realising about 250 projects, mostly in the Haifa region; to Jan 6

Musée d'Art Moderne de la Ville de Paris Tel: 33-1 53 67 40 00

● Georg Baselitz: retrospective exhibition of works by the German artist Georg Baselitz. The chronologically organised exhibition features some 80 *paintings, sculptures, and a* selection of prints from the period 1965-1996; to Jan 5

■ WASHINGTON

OPERA

Eisenhower Theater Tel: 1-202-467 4600

● El Gato Montés: by Penella. Conducted by Miguel Roa, performed by the Washington Opera. Soloists include Ana Maria Martinez, Rafael Rojas, Eduardo Del Campo, Kimm Julian, Virginia Alonso-Tokarz, Marianne Cornetti, Robert Gardner and John Marcus Bindel; 7.30pm; Dec 28

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands.

Tel: 31 20 664 6441. E-mail: artbase@pi.net

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08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Fix that broken window

New York has cut serious crime by tackling minor offences, says Richard Tomkins

GOOD NEWS

A few years ago, if you drove into New York City from New Jersey, your first experience on emerging from the Lincoln Tunnel would be to have your windscreen smeared with dirty water by a man with a bucket and sponge. It would be swiftly followed by your second experience: a menacing demand for money.

It was a signal that you were entering the mean streets of one of the world's toughest cities. In those days, people visited New York with trepidation and guide books routinely contained a chapter on safety and survival.

But today, the squeegee men are gone, as has the graffiti that used to adorn the subway trains. The murder rate has plummeted and New York is among the safest cities in the US.

Around the world, the crime rate is rarely discussed without being prefixed by the phrase "ever-increasing".

But New York's experience shows that crime can be cut if the will and resources are there. This year, there have been 937 murders in the city, admittedly more than five times as in London, but less than half the peak of 2,245 murders in 1990. New York is set to end 1996 with fewer than 1,000 murders for the first time in 28 years.

Experts have struggled to explain this startling about-turn. Some say it is just demographics: there are now fewer males of crime-committing age. Others say it is the ending of the turf wars that grew out of the crack cocaine epidemic of the 1980s. Another theory attributes the decline to the high US incarceration rate.

Mr Howard Safir, the city's police commissioner, has another explanation. Crime went down by 0.9 per cent in the US as a whole last year, but in New York City it fell by 16.1 per cent. "That's not demographics," he says. "That's something special happening in this city, and it's something special being done by the police department."

Three years ago, Mr Safir recalls, New York City gained a new mayor who had fought the election on a tough anti-crime ticket. Mayor Rudolph Giuliani and his then police chief, Mr William Bratton, launched a campaign to eliminate minor offences such as illegal street-vending, aggressive begging, prostitution, public drunkenness and graffiti.

According to the so-called broken window theory, it was New York's earlier failure to address such misdemeanours that encouraged the growth of more serious crimes, in much the same way as a broken window in a building leads to further vandalism if nobody does anything about it.

"A city that sends a signal that disorder is okay and that minor crimes are okay is a city that will also encourage major crimes," Mr Safir says. "And many of the people who commit minor crimes are the very same people who commit major crimes."

The New York Police Department introduced new methods to tackle more serious crime. A big step was to improve the flow of information by installing computerised graphic displays in precincts and at headquarters, showing precisely where new crimes were being committed.

Officers at headquarters can now examine rates of criminal activity across the city by building, block, neighbourhood or precinct, compare the figures with previous rates of activity in the same parts of the city or with figures for other areas, and identify where problems are arising.

Every five weeks, precinct commanders are brought to headquarters and held accountable for what has happened on their patch. Senior officers examine the number of crimes committed in each precinct, the number of summonses issued for minor offences, the number of civilian complaints received, the hours of overtime worked, response times and other management indicators.

"If the figures are good, we pat them on the back and tell them they are doing a great job," Mr Safir says. "But if crime is going up, if they have a spike in crime, we tell them to come up with a strategy to reduce it by the next meeting. If they need help, they have to ask us for it, and we give them additional resources.

"What we are really doing," he adds, "is applying business management principles to crime. Most police departments in the world react to crime: we manage crime. We don't count arrests: we count crime complaints. So if a precinct commander is doing his job and being successful under this system, he is preventing crime, not reacting to it."

Mr Safir believes he can go on cutting the crime rate by waging war on drugs. Unsurprisingly, between 60 per cent and 80 per cent of the people arrested in New York test positive for heroin, cocaine or marijuana. "My belief is that 80 per cent of the remaining crime in this city has a nexus to drugs," he says. "So we are using every law that exists at federal, state and local level to go after drug traffickers."

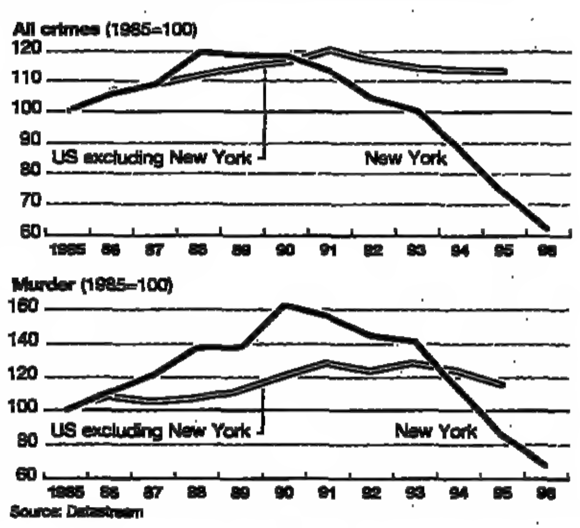
Safir proclaims that his aim is to drive the drug traffickers out of New York City and into neighbouring territories. "We are going to drive them to New Jersey, and to Westchester, and to Nassau County; because it's my belief that the only way to deal with drug-trafficking is for state and local law enforcement agencies in every jurisdiction to take the same aggressive, responsible attitude that we are taking here.

"If you drive them to New Jersey, and New Jersey takes the same attitude we are taking, pretty soon New Jersey will drive them to into Pennsylvania, and pretty soon we will get them out of this country."

Fair enough, but how are the neighbours taking it? "The district attorney of Westchester County called me the other day and she was very supportive," Mr Safir says. "But they are seeing some displacement and they are going to have to take the same kind of aggressive attitude that we are.

"People in New Jersey have been less friendly. But that's not my problem. My problem is the five boroughs of New York City."

From mean streets to safer streets



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·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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Claim of aircraft subsidy race is untenable

From Mr Ronald B. Woodard.

Sir, Your editorial comment about the merger between Boeing and McDonnell Douglas ("Boeing, Boeing", December 17), raises the spectre of "the risk of a ruinous international subsidy race", but overlooks several fundamental facts:

● If "commercial aircraft programmes have long benefited from defence spending" and are "cross-subsidised" by government business, why doesn't the commercial aircraft business more clearly reflect the alleged connection between government business and commercial success?

Strong defence contractors such as Lockheed have faded from the commercial realm, and Boeing, with only about 25 per cent government business, is the world's leading commercial aircraft manufacturer.

● Three Airbus partners – British Aerospace, Daimler-Benz Aerospace, and Aerospatiale – remain among the top five European defence contractors. Are cross-subsidies an issue there?

● Neither Boeing nor McDonnell Douglas has ever received any direct government support to design and build competitive commercial airplanes.

The government funding received for the SST was under a development contract and the airplane was never built and did not affect the competitive airplane market.

● In the past 10 years there has probably been as much technology transfer from the commercial realm to the military side as in the opposite direction. This would tend to negate the advantage of "defrayed research and development costs" cited in the editorial comment.

● The editorial states that the "EU should urge the United States to quickly resume negotiating" for rules on government funding.

But these rules already exist, negotiated in 1993 and supplemented in 1993 by the WTO subsidies agreement. The industry is hardly a lawless jungle, and it was the Europeans who wouldn't agree to subsidy levels below the agreed one-third.

Your editorial opened with the observation that "the merger is simply the latest result of pressures for consolidation of aerospace businesses worldwide. As such, its logic is hard to fault".

You're right about that much – McDonnell Douglas and Boeing have complementary capabilities, and the merger is a mutually advantageous union.

The resulting aerospace operation will undoubtedly be more competitive, but your claim that this increased competitive capability might be "unfair" and cause a "ruinous international subsidy race" is untenable.

Ronald B. Woodward
president
Boeing Commercial Airplane Group
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A greater threat to society

From Mr J.C. O'Connor,

Sir, Peter Aspden requests that we treat our headline writers kindly, they being the myth-makers of our age ("An age for the 'even wilder'", December 14/15). Considering that not all their readers are as discerning as Mr Aspden, and that their efforts contribute to an adverse evolutionary pressure on behaviour in our society, might it not be more appropriate if they were selectively culled – metaphorically, I hasten to add?

These spongy-headed humans who know not the power they possess are likely to be much more of a threat to the fabric of society than the BSE cattle that they headline!

J.C. O'Connor,
19 Widdicombe Avenue,
Lower Parkstone,
Poole, Dorset, UK

Britons being kept in the dark over the advantages of Emu

From Mr Friedrich R. Blase.

Sir, Richard Layard's concluding remark: "If the UK cares about jobs, it must take a lead in Europe rather than arguing endlessly at the back of the class", ("False fears about Emu", December 18) sends shivers down my spine as we approach the year of the general election in the UK.

Undoubtedly Layard's convincing argument for the euro could win increasing support for the European currency across all sections of society if it were only to be read and heard by many more.

Instead, the British public is kept in a demoralising state of misinformation. It is the enlightening comparisons to the US system which remove much of the fears that are raised about the euro. Those who rightly believe in the advantages and opportunities of the euro must work harder than ever to spread the word in the UK.

Considering the forthcoming general election, this duty gains considerably in importance. Europe will be an issue which all three leading parties will focus on. However, the Tories fail to position themselves, since, if they did, it would be the end of party unity.

Labour is more concerned to put across a trustworthy picture of its leader, a daunting task which will rob their energy to tackle a fragile and awkward issue like Europe. The Liberal Democrats, for years the only real and consistently pro-European political faction, lack the strength needed to bring about real change in the public's view of Europe.

Those who believe in political and economic integration in Europe as the necessary and inevitable step for sustainable prosperity face a great challenge.

The task is to inform the British public objectively about the implications of the euro and further co-operation in the EU. The goal is a well-informed electorate which knows the consequences of its choice. Layard says: "If the UK cares about jobs, it must take a lead in Europe." With the Tories unwilling and Labour unable to take a lead in Europe, there is only one choice left for the pro-Europeans.

If we miss the chance in 1997 to bring about the necessary change in Westminster, it will be the final nail in the coffin for Britain's ambitions in Europe.

With that in mind I wish you and your readers a happy and successful new year.

Friedrich R. Blase,
Kapuzinerstrasse 11,
D-48149 Münster,
Germany

Tequila sunrise

Richard Lapper on some of the more bizarre assets used to back bond issues

Here is a riddle that will not have appeared in your Christmas cracker. What do crates of tequila, shiploads of elastic and the homes of British soldiers have in common?

Answer: the revenues they generate have been used as security against bonds issued over the past 12 months. Raising money by pledging the income from such assets is known to bankers as securitisation.

US banks have been raising finance by selling off their credit card debts and mortgage loans since the 1970s. Securitisation has now taken off in Europe and the emerging markets of Latin America and Asia, and has been one of the strongest trends in the international capital markets this year.

In the first nine months of 1996, securitised bonds to the value of \$78.7bn (£47.10bn) were issued in international markets, according to the Bank for International Settlements, the central banks' central bank. The total for the whole of 1995 was \$25.4bn.

In the tequila deal, Mexico's José Cuervos raised \$50m with a bond secured on the earnings from its US exports. The elastic is part of a similar deal agreed with another Mexican exporter.

In the UK, Annington Homes bought properties occupied by UK service personnel from the ministry of defence in October, raising £904m through a bond issue securitised against the rents from the homes.

Some companies are finding that they can raise more capital for mergers and acquisitions by issuing securitised bonds than by traditional bank borrowing. "In the space of 18 months securitisation has gone from something which is used occasionally to one which is the first choice to finance a complex restructuring," says Mr Guy Hands, head of principal finance at Nomura International, the Japanese investment bank which structured the finance for the Annington consortium.

At their simplest, asset-backed securities are simply bonds which pay interest that is derived from the revenue earned by the underlying assets. For example, if aircraft leases are securitised as bonds, the leasing payments are pledged to pay the interest to bondholders.

Other forms of income used to securitise loans include railway rolling stock lease payments, rental income from property and earnings from exports such as wheat, oil and international telephone calls. In the US, forestry income, revenues from feature films and the payouts from life insurance policies of terminally ill people have been converted into securities.

One deal reported to be under consideration is an issue of bonds secured against future royalties from the back catalogue of David Bowie, the British rock musician. Bankers have also examined the securitisation potential of church mortgages, exports of chicken from Thailand and even Latvia's empty beaches.

The asset-backed market came about because of the peculiarities of the US banking industry. There, many banks are prevented from operating across the country and do much of their business in particular regions.

Such regional banks are vulnerable to a downturn in the local economy: unlike banks with a national spread, they cannot set losses from that region off against profits from more prosperous areas.

In the early 1970s, mortgages were securitised to help bankers pass the risk on to the capital markets. The idea was later extended to car and student loans.

The trend was given extra impetus in the 1980s when a number of banks lost money on loans to property developers and to Latin America. By securitising the loans against renegotiated debt repayments, banks can get their hands on capital which would otherwise have to be set aside as a provision against default.

More than three-quarters of the securitisation still takes place in the US, with companies increasingly using it to raise capital for new ventures. "Corporates of every shape and size are turning to securitisation as a more reliable way of accessing funding," says Mr David Bonsall, head of securitisation at Union Bank of Switzerland in London.

But the market has begun to grow elsewhere over the past two to three years. In the emerging markets of Latin America and – to a lesser extent – Asia, private companies have used securitisation as a way of obtaining access to cheaper and generally longer-term funding than would otherwise be available.

José Cuervos, the Mexican tequila company, for example, has been able to reduce its funding costs by about four percentage points a year, according to Mr Sergio Guillen, the company's planning director. The company had previously been mainly dependent on short-term bank finance.

Moreover, by securitising its export earnings the company was able to borrow at a cheaper rate than the Mexican government, something which has traditionally been difficult for borrowers from the emerging markets. "It has worked for us," according to Mr Guillen, who says the money has been used to develop the company's factories and reduce other debts.

In Europe, public bodies in several EU countries – including Finland, Ireland and the Netherlands – have sold off mortgage books, reducing public debt to qualify for membership of the European single currency.

"You are going to see it throughout Europe," says Mr Hands of Nomura. "This is something more and more people will focus on."

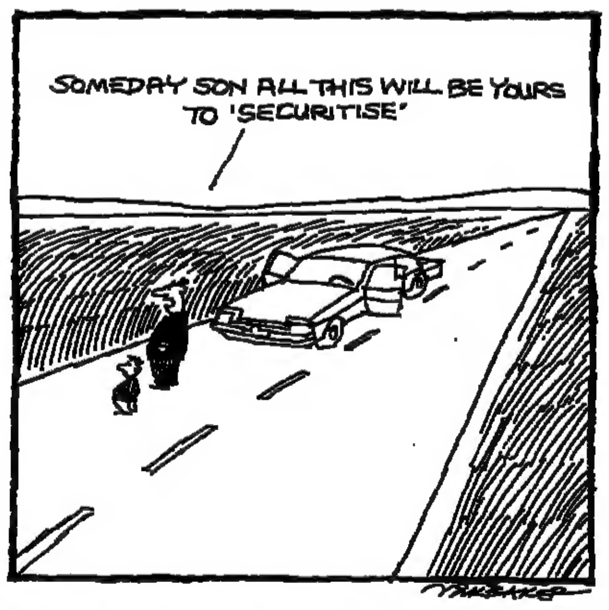
Securitisation has played an important part in some of the year's biggest corporate restructurings, such as for GPA, the Irish aircraft leasing company, and Crédit Lyonnais, the French bank. European banks, under pressure from shareholders to improve their return on capital, have also begun to securitise their loans.

"Banks are facing pressures on their capital bases and inexorably rising costs and are trying to do anything to stay competitive," says Mr Bonsall of UBS.

The growth in the market this year is encouraging bankers to expand their horizons. There is some hope, for example, that Japan's banks might use securitisation to remove some of the billions of dollars in bad debts on their books.

And at a local level, securitisation is providing limitless scope for ingenuity. Among the more bizarre proposals put to rating agencies in the past few months is one to securitise payments for plastic surgery.

"What it comes down to is if you've got a cashflow and you can measure it, you can raise funds against it," says Mr Paul Taylor, managing director at Duff & Phelps, the rating agency. "There are lot of weird ideas around."



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Friday December 27 1996

Middle East movements

From the Middle East comes good news. Christmas has been quality negotiating time for Benjamin Netanyahu, Israeli prime minister, and Yassir Arafat, the Palestinian leader, after months of disagreement threatened the peace accords underpinning the region's future. Mr Arafat spoke confidently yesterday of a deal that could be done before year's end and Israel opened a Gaza Strip road as a conciliatory gesture.

The mood swing follows the increasing involvement of the US after an earlier series of ominous moves by Israel. Its closure of the Palestinian self-rule areas set up by the 1993 Oslo accords, by cutting off trade and travel to work inside Israel, had cut low Palestinian incomes by more than a quarter.

On December 13, Mr Netanyahu's government decided to restart subsidies and tax breaks to expand Jewish settlement in the West Bank and Gaza, in what was the most serious threat to Palestinian hopes of founding a state in this modest portion of their ancestral land.

Mr Netanyahu was elected in May at the head of a coalition of determined nationalists and fundamentalists who see all the occupied territories as part of *Eretz Israel* – the biblical homeland of the Jews. He defeated the Labour architects of Oslo who believe detente in the region, and Israel's security within it, require the return of Arab land for peace.

Oslo undertakings

The subsequent freezing of the Oslo process by September led to fierce fighting between Israeli troops and Palestinian Authority security forces across the West Bank and Gaza. US-sponsored talks since then have centred on Israel's Oslo undertaking to withdraw from most of the West Bank town of Hebron, where 400 extremist settlers live in a fortified enclave surrounded by 130,000 Palestinians.

There is now progress in these talks, with Israel apparently prepared to withdraw troops from most of Hebron. But, if agreement is reached in the next few days, Mr Netanyahu will face strong criticism from his hardline partners.

The Likud premier has said that while Oslo was a mistake, he would respect it as an international agreement. But, until now, he has done nothing to implement this undertaking, and by expanding colonisation of the West Bank and planning to complete the encirclement of Arab Jerusalem with a wall of Jewish settlements, he had compromised future negotiations.

Easing the danger

His summit on Tuesday with Mr Arafat, their first in three months, and the subsequent negotiations on self-rule in Hebron should ease the immediate danger of the West Bank exploding in violence. The US, as principal guarantor of the peace process, had recognised that danger and President Bill Clinton has been consulting with his Middle East envoy on the steps forward apparently taken this week.

Last week three former US secretaries of state and five former national security advisers wrote to Mr Netanyahu to tell him that expanding the settlements would kill the peace. Mr James Baker, who opened the peace process in Madrid five years ago, said "we have gone from calling the settlements illegal in the Carter administration, to calling them obstacles to peace in the Reagan and Bush administrations, and now we are saying they are complicating and troubling".

Mr Netanyahu appears to have taken notice of at least some of the clearly worded US message. The future of peace in the Middle East and of security for Israel depend on how far he is prepared to walk with Mr Arafat in the coming year.

After a stubborn start as prime minister that irritated allies and provoked the Palestinians, Mr Netanyahu still has an opportunity to take the lead in the peace process. His heart may never be at ease with the accords, but his head should tell him that events this week have brought more than seasonal cheer to a troubled region.

Avoiding the damage

The crisis at Berwick Brothers merchant bank, now close to its climax in the FT's Christmas thriller *Collateral Damage*, is no more far-fetched than most of the upsets that have hit financial markets in recent years. Indeed, because it involves no new wrinkles on age-old patterns of greed, wishful thinking and complacency, it is arguably less implausible than some real-life scandals.

Peter Tasker's aim in writing his thriller was primarily to entertain. But the case also illustrates one of the pervasive themes in financial markets in recent years.

This is the increasing integration of markets, across barriers of geography and type. Big market moves have always spilled over from one country to another, and from one type of security to the next. But in other respects, individual markets managed until recently to retain local peculiarities. These permitted a degree of manipulation by those operators with the muscle to achieve it.

The Tokyo equity market was a notorious minefield for foreign participants. Similarly, metals markets, with their own complex terminologies and conventions, were the preserve of specialised traders whom few outsiders could hope to best.

Lucrative arbitrage

But market anomalies exist only until they are competed away. And the past decade has shown how cross-market arbitrage destroys cosily accepted patterns of manipulation. The American investment banks found a way of exploiting the structural inadequacies of the Tokyo stock market by dealing in stock-index futures. So lucrative was this form of arbitrage that no-one blinked when Nick Leeson seemed to have found Barings its own niche in the same business.

More recently, the big hedge funds exploited the clear evidence of over-valuation in copper, putting some long-standing informal arrangements to smooth the metal's price fluctuations under ultimately intolerable pressure.

What lessons should investors and regulators draw from such developments? First, some causes for concern. Market imperfections are not the only things that can be exploited across borders: regulatory weaknesses can also be a source of damaging arbitrage. This means that a feeble set of rules or an inadequately resourced team of supervisors can have an impact well beyond the individual market concerned.

Market integration

Second, market integration brings into question the long-standing assumption that professional markets can easily be distinguished from those intended for retail participants. Because virtually any form of security can now be repackaged for sale to individual investors, widows and orphans can find themselves exposed to risks that the most seasoned professionals would blanch at.

But the third lesson is a hopeful one: integration smoothes the operation of market forces, allowing balance to be restored more rapidly than before. Even if all the traditional traders of, say, an individual commodity are brainwashed or intimidated into seeing the market one way, outside speculators now act as a countervailing force. This means that market-distorting positions are more easily exposed, exploited and resolved.

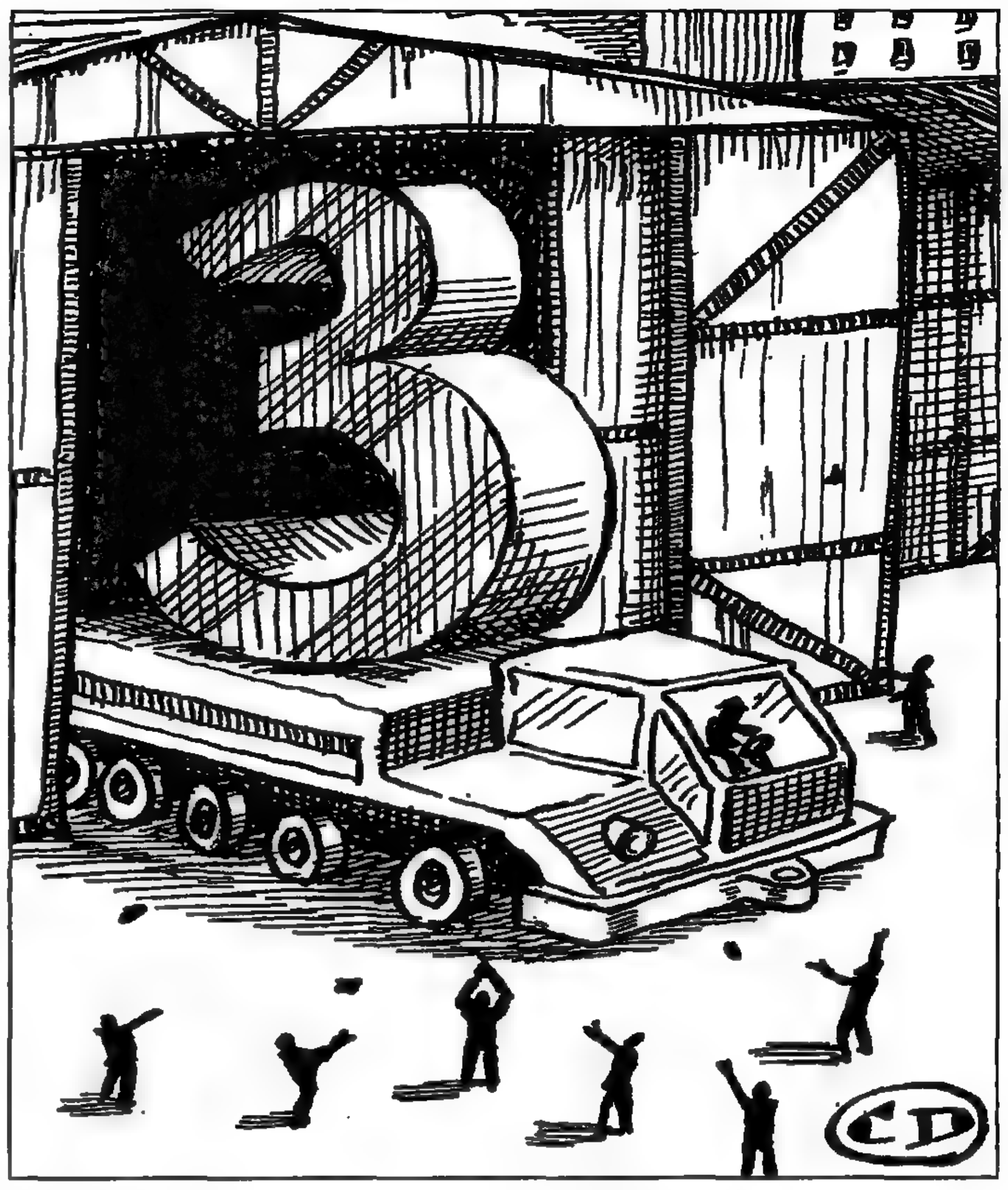
We shall have to wait until tomorrow to see how the issues are resolved in *Collateral Damage*. This being fiction, however, there is a good chance that virtue will triumph. If the real world were so neat, Deutsche Bank and Goldman Sachs would outbid each other every year for the services of the world's top theology graduates.

Nonetheless, the integration of markets introduces salutary downside risk to market practices that would otherwise go unpunished. After all, as Confucius would say if he were alive and working as a bond-market strategist: "The Enlightened One realises that he is master of all but the market."

It's the revenues, stupid

Peter Martin's Third Millennium Management theory is the most important innovation in business thinking – until the next one

This modest essay introduces the most important innovation in management thinking since money supplanted barter. Third Millennium Management replaces at a stroke all previous strategies. It is concise, effective and cheap. In short, it is the managerial equivalent of penicillin.



Third Millennium Management starts from the basic truth that all other formal management theories are founded on the manipulation of costs. Frederick Winslow Taylor's detailed time-and-motion studies, W. Edwards Deming's total quality approach, the Boston Consulting Group's experience curve, and the re-engineering craze – all these theories, influential in their day, have had cost at their heart.

Even the strategy consultants, though ostensibly peddling a doctrine grander than mere bean-counting, have given cost a central role. It is cost-effectiveness – sometimes dressed up as synergy, economies of scale or core competence – which determine where and how a company is best placed to expand its activities.

Yet cost-based theories are fundamentally flawed. The half of the business equation they neglect – revenues – contains almost all the information that really matters. Costs are essentially static, since they encapsulate the past history of the company. Revenues are dynamic, reflecting the ebb and flow of economic activity, customer preference and pricing signals. Focusing on costs belittles revenues, cutting managers off from their single most valuable source of information.

It is sometimes said, disparagingly, of a manager that he or she is not "bottom-line oriented" – cares too much, in other words, for revenues and not enough for profits. Yet in any honestly run business, revenues are an unambiguous yardstick of performance. Profits are much more subject to the vagaries of accounting.

In the real world, of course, successful managers do focus on revenues. But to do so, they must set aside much that management theory has been teaching them for a century or more.

Many good managers are aware of this tension. Guiltily, they ignore what they have been expensively taught by academics and consultants. Instead, they press ahead with the strategy which they know makes sense in practice.

Third Millennium Management solves this problem at a stroke. By placing revenue-generation at the heart of strategy, it brings what managers *think* into line with what they *do*.

And it is a management theory for the new millennium not merely because it avoids the errors of the past. The strategy also reflects the profound changes in economic structure that lie beyond 2000.

The new era is one in which truly variable costs will tend to zero, completely swamped by fixed or semi-fixed costs. The manufacturing element of a product or service becomes relentlessly cheaper; the design, branding or support elements become irresistibly more expensive.

Accounting tools designed to cope with a world of variable costs cannot easily grapple with this new state of affairs; the proposed technical solutions, such as activity-based costing, are inadequate.

If costs are fixed, then revenues are all-important. Guesstimating revenues becomes the central task of the company. Controlling costs becomes a second-order task, essential but unglamorous, on a par with supervising the office cleaning.

This is the central principle of the new theory. It is at once as old as the first flour-mill, and as new as the latest chip foundry. The essence of Third Millennium Economics is this: look after the pounds and the pennies will look after themselves.

No respectable management theory can be summed up so baldly, of course. So Third Millennium Management also has a full complement of laws, paradigms, success factors and mistakes to avoid at all costs.

The first law of Third Millennium Management is that business genius lies in *imagining* revenues that do not yet exist. When Sony's Akio Morita dreamed up the Walkman, he wasn't just imagining a product, he was imagining a stream of revenues for which there was no existing evidence. Imagining those revenues was at least as important as designing the product that would generate them.

In some respects, imagining a revenue stream requires greater mental originality – and certainly greater bravery – than inventing a product. A prototype has a physical existence that offers immediate reassurance; but until the product has been on the market for a while, there can be no such confidence about sales. And colleagues who would not dream of denigrating the technical aspects of a new product will not hesitate to criticise its business prospects.

The second law of the new theory is that every company will soon find itself in a "hits" business. Such businesses – films, TV shows, records, books – were once a class apart. Cushioned by predictable sales, other managers found the wild swings of hits businesses frightening and alien.

Now, in industry after industry, you are only as good as your latest product. Each new launch, from software to industrial ceramics, could be a wild success or a complete failure. Winner takes all.

The leader benefits from self-reinforcing brand advantages in a world in which "mental shelf space" among consumers and distributors is the most valuable real estate. With products increasingly sold as part of complex systems, a leader is able to set *de facto* standards, greatly reinforcing the advantages of a successful product – until the next hit or flop comes along.

Managing a hits business requires different skills from managing the profits of an established stable of products. Most of all, as Third Millennium Management would suggest, it requires a nose for revenues.

The third law is that your core business is what you make it. Yes, focused companies generally (though not invariably) do better than unfocused ones. Yes, understanding a sector deeply can help you imagine the next big stream of revenues (though it can also make you a prisoner of the present). But in the Third Millennium world, two well-managed rivals can have quite different degrees of vertical and horizontal integration, insourcing and outsourcing, diversification and focus – and neither of them need be right or wrong.

The key is not some schematic, ultimately cost-driven, analysis of where your company's past or present strengths lie. Those will be irrelevant tomorrow. What counts is where you can derive substantial new revenues in the future, with the emphasis on the words "substantial", "new" and "future". Whatever allows you to do that effectively is your core business, regardless of the diagrams in last year's strategy document.

So much for general principles. *Third Millennium Management* also offers some practical rules of thumb. For example: spend twice as much time thinking about revenues as you do about costs. Managers devote weeks or months to poring over every aspect of the familiar, soothing cost structure, while plucking a revenue estimate out of the air, or out of the first market research study that comes to hand.

The temptation is an obvious one: the costs appear real, firm, something you can get your teeth into. If you try hard enough, you can probably estimate them properly. Future revenues, by contrast are evanescent, elusive, prone to error, above all outside your control. No amount of analysis can make revenue forecasts pinpoint accurate; but time and energy devoted to thinking about them can at least cast a stronger light on the risks.

Here is a second rule of thumb: tailor your costs to the imagined revenues, not the other way round. Too many business people simply want to achieve sales that will justify their existing cost structures and way of life. Reality may require greater ambitions – or greater parsimony.

A third rule of thumb is more challenging still: set a notional price for your product or service that reflects its worth – then halve it before you launch. After six months, halve it again. Avoid the common European temptation of going for margin, rather than market share. Remember, revenues are what count.

Well, there you have it: an outline of a new management theory that is at least as plausible as most others peddled from the bookshelves. What is there about management that makes intelligent, active participants so willing to place their faith in nostrums of – to put it politely – uncertain validity?

The state of management theory seems, to this consumer anyway, to bear a striking resemblance to the pre-scientific era. Classical and medieval natural philosophers devoted huge efforts to classification and taxonomy, in an attempt to make sense of the puzzling world around them. They could not, in an era before precision measurement, use the experimental method.

Management theorists are similarly deprived of experimental possibilities, and they lack the data required for the techniques of the social sciences. Not surprisingly, like their pre-scientific predecessors, they fall back on endlessly elaborated description.

Similarly, the period that immediately preceded the Newtonian revolution brought plausible – but as it happens entirely bogus – theories such as humours or astrology to a pitch of great sophistication, in an attempt to analyse personality and health. Some of the greatest scientific minds of the period placed credence in theories now utterly rejected.

Study of such theories was not valueless, however: it provided a systematic structure for the discussion of issues that hitherto had seemed too inchoate to grasp. Possibly such frameworks of analysis provided insights which would not otherwise have occurred. That may be the role that management theory plays today. After all, didn't *some* aspects of Third Millennium Management strike a sympathetic chord?

Third Millennium Management: Upsize Your Profits and Downsize Your Risks! (502pp. $39.95, Bathos Press, New York and London, forthcoming)

Motor of the American dream

In the long run

Rail travel, high-street shopping and air quality are just three of the sacrifices made to the motor car in the 100 years since the pioneering days of Gottlieb Daimler and Karl Benz.

Arguably, the losses have been greatest in the US, where mass production was spawned and ownership at more than 1.75 vehicles per household is the highest among the leading industrial economies. Just as the six-shooter became a symbol for the new nation in the last century, so the motor vehicle has turned into an icon for America in the past 100 years.

In the 19th century, the revolver was an emblem of personal independence and the instrument by which the US was forged coast to coast. In the 20th century, the automobile has given Americans independence in the form of enhanced mobility, and physically connects a sprawling nation. For many, there is probably no better indicator of "the American way of life".

The US industry was born in 1896, when Frank and Charles Duryea, two brothers from Springfield, Illinois, built 13 similar cars from the same design. They were followed by other entrepreneurs – Henry Ford, David Buick and Ransom Olds.

Vehicle registrations rose nearly 10-fold in the first five years of the century, from 8,000 in 1900 to 77,400 by 1905. The total jumped almost sixfold again in the following five years.

By 1915, there were 2.3m vehicles on US roads and by 1920, it had reached 8.1m. America's millionth new car changed hands in 1912, the 10 millionth in 1920 and the 25 millionth just five years later.

It was Ford who pioneered the mass production techniques which made this growth possible. He brought the price of a Model T down from $950 in 1908 to $290 in 1927, opening the way to mass car ownership.

Growth declined during the great depression of the 1930s. And production for the commercial market ground almost to a halt during the second world war when car plants were converted to military use.

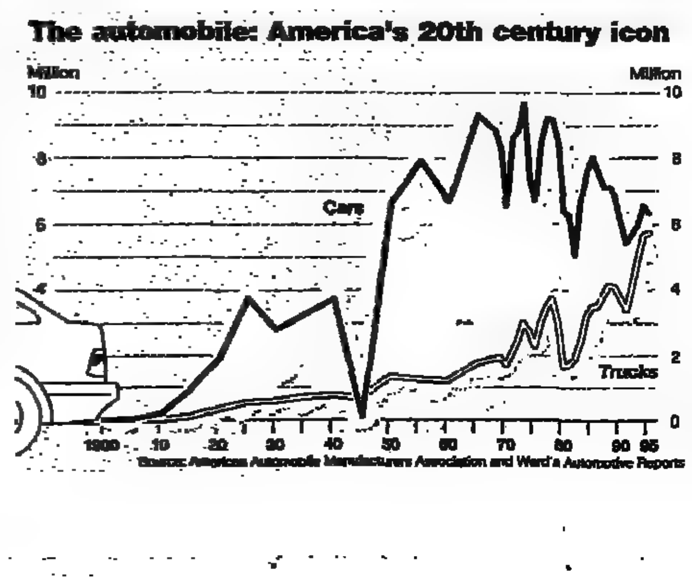
But after 1945, production soared again, fanned by the economic recovery and buoyant consumer spending. Annual output shot up to 6.7m units in 1950 and 7.9m five years later.

"The 1950s and 1960s were the golden years for the motor industry," says Mr Bob Stockton, public affairs director of the Automobile Hall of Fame in Detroit. Flowing lines, massive V8 engines and abundant chrome were the *leitmotivs* of carefree consumption, relatively low prices and cheap and abundant gasoline.

It was the peak period for creating the network of multi-lane interstate highways which remain America's economic arteries. The amount of federal, state and locally controlled surfaced road rose by almost 60 per cent between 1945 and 1965 to more than 2m miles. The percentage of surfaced, against dirt, road rose even faster, from 51.9 per cent to 75.2 per cent over the same period.

This was also the era that saw the rise of suburbia and the development of out-of-town shopping malls. "The growth in commuting was stimulated by the car. But people's decision to move out of the city also boosted car ownership," Mr Stockton argues.

The automobile: America's 20th century icon



These trends ensured car production continued to grow into the early 1970s. Domestic output peaked at 9.7m units in 1973, just ahead of the previous record of 9.3m in 1965.

But the fat years for the "Big Three" domestic carmakers – General Motors, Ford and Chrysler – were already ending. Rising fuel costs after the oil producers cut supplies and sent prices soaring in 1973 led to a downturn in output in the mid-1970s. Safety concerns blighted the sale of new cars after Ralph Nader's successful consumer crusade.

Imports began to nudge the traditional American saloons off the highways. From objects of derision, small imported Japanese cars became almost chic as petrol became more expensive. When protectionism looked likely to hit imports, foreign carmakers opened plants in the US – the first by Honda in 1983.

The rise in environmental concerns triggered by pollution from exhaust emissions and made visible in the heavy black clouds of smog over many US cities contributed further to the growing distaste for traditional "gas-guzzlers".

From the 1980s, the car production figures stop telling the whole story. The headline totals fail to distinguish between falling output at the "Big Three" and the rising impact of the "transplant" factories set up by foreign manufacturers.

More reassuring for domestic manufacturers, the passenger car figures also mask the growth in popularity of "recreational vehicles", such as pick-up trucks and sports utilities – both officially classed as trucks.

While car output has stagnated, truck production has accelerated in recent years. In 1995, the total reached 5.6m units.

Many were hardy pick-ups, such as Ford's best-selling F Series, or all-terrain four-wheel-drive sports utilities. As the 20th century draws to a close, it appears to be these rugged vehicles that now reflect the independence and self-reliance many Americans still aspire to.

Haig Simonian

FINANCIAL TIMES
Friday December 27 1996

30,000 gather for rally against Milosevic

Serbian riot police halt protest marches

By Paul Wood in Belgrade

Serbian riot police yesterday prevented opposition protesters from marching through the centre of Belgrade following warnings that the "obstruction of normal traffic" by demonstrators would no longer be tolerated.

The police action forced marchers to abandon their daily protest through the capital against Serbian President Slobodan Milosevic.

About 30,000 Zajedno (Together) coalition supporters yesterday gathered in Belgrade in defiance of a government ban on all marches across Serbia. Police had said they would intervene if protesters caused traffic congestion.

The warning followed violent clashes this week during demonstrations sparked by Mr Milosevic's refusal to accept opposition victories in local elections on November 17.

At least 58 people were injured on Tuesday in fighting between police and rival marchers when Mr Milosevic called for a counter-rally outside the Zajedno offices. One man later died in hospital.

The Organisation for Security and Co-operation in Europe is due to publish a report today about the cancellation of the local election results. This could put extra pressure on Mr Milosevic.

Yesterday thousands of riot police blocked the demonstrators' route as the Serbian leader faced international warnings over using force against the protestors.

Police ignored a march through snowy streets by 5,000 students but confined the 30,000-strong Zajedno demonstration to a square, apparently without severe force.

Opposition officials said they would gather every day in the square but not march while the riot police blocked the way. They denied that the failure to march yesterday was a defeat.

Mr Zoran Djindjic, an opposition coalition leader, told demonstrators: "We will always manage to last one day longer than Milosevic. They simply cannot keep 20,000 police in Belgrade every day, but we can hold out for six months if necessary."

Mr Nikola Sainovic, deputy prime minister, said the authorities would not use violence but "anyone who violates or questions the authority of the law will not be tolerated".

The US and other Western governments have warned Mr Milosevic he risks economic reprisals and continued international isolation if he uses violence to restore order.

Russia has warned against any outside interference in Belgrade's political turmoil.

Palestine and Israel hopeful on deal over Hebron

By Avi Machlis in Jerusalem

Israelis and Palestinians were yesterday optimistic about clinching an agreement next week on control of most of the Israeli-occupied West Bank town of Hebron being handed over to the Palestinians.

Their optimism was shared by Mr Dennis Ross, the US Middle East peace envoy, who headed back to Washington yesterday to brief Mr Bill Clinton, the US president. He said he would return to the region by Monday. "I hope and expect that we will conclude an agreement shortly thereafter," Mr Ross said.

Palestinian legislators said Mr Yassir Arafat, president of the Palestinian Authority, had told them a deal would be finalised next week. They said Israel was committed to a further withdrawal from the West Bank after pulling out of Hebron.

"Talks are continuing in a very good atmosphere," said an Israeli government spokesman. "Even though it can take time to formulate the agreements it is clear we are going to come to a successful end to the negotiations."

About 400 Jews live among some 120,000 Palestinians in Hebron, which is in a state of perpetual tension. It is the last Palestinian town scheduled for self-rule under the 1995 peace deal. But Israel has delayed its transfer, citing fears for the security of the Jewish minority, and both sides have blamed the other for preventing a deal during nearly three months of negotiations.

However, signs that the deadlock may have been broken emerged this week when Mr Arafat and Mr Benjamin Netanyahu, the Israeli prime minister, held a summit meeting, mediated by Mr Ross.

Jewish settlers in Hebron have started protests in an attempt to thwart implementation of the Israeli pull-out. Israeli settlers have tried to occupy vacant Palestinian houses, and yesterday a firebomb was hurled at a Jewish enclave.

An Israeli government spokesman said: "We will take all necessary steps to make sure the agreements are honoured." Mr Amnon Lipkin-Shahak, chief of staff of the Israeli Defence Forces, has said the Israeli army will carry out the redeployment within one day after the accord is signed.

Mr Netanyahu faces some resistance in his cabinet to any accord. Several ministers have said they will not support the redeployment. But political analysts say Mr Netanyahu will have enough support for government approval.

Editorial Comment, Page 11

THE LEX COLUMN

Lego logic

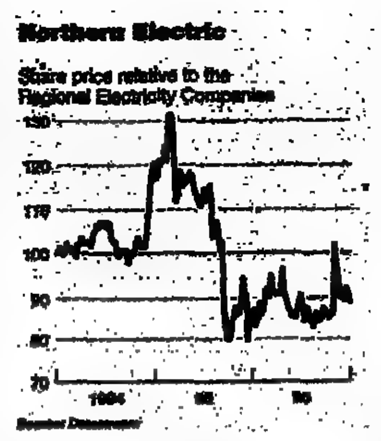
The latest idea doing the rounds – that state-owned Aérospatiale, together with its prospective merger partner Dassault, might bid for Thomson-CSF – stretches credibility. Even assuming Aérospatiale could find the necessary cash, selling Thomson to a government-controlled company would hardly be a privatisation. But a more credible notion is that Aérospatiale/Dassault could take a junior role in a renewed offer for Thomson from Alcatel. Certainly, they would add a veneer of defence know-how to Alcatel. And superficially, the grouping could be presented as having the clout to take on the likes of America's Lockheed Martin.

All the same, such a vertically integrated combination of an electronics supplier (Thomson) with an aerospace manufacturer (Aérospatiale) is unlikely to generate large financial benefits, since the overlap between the businesses is modest. Moreover, there must be some risk such an alliance could obstruct the combination which would create real value – pooling Thomson's and GEC-Marconi's electronics businesses. Perhaps Alcatel could assemble such a large gathering, but it begins to look implausibly unwieldy. In any case, the Aérospatiale idea should make no difference to the real question confronting the government: whether to auction Thomson or float it. The latter remains more compelling. Potential bidders at an auction can put together whatever bits of French industrial Lego they choose, but a strong, independent, floated Thomson would be better able to determine the right combination.

Cash flow

"Cash is king". Though the phrase is a cliché, the notion that investors ought to be looking at a company's cash flow rather than merely its accounting profits is valid. The only snag is that defining cash flow is slippery. Different companies, stockbrokers and consultants calculate it in different ways.

Some semantic tidying up is needed. The starting point should be a recognition that there is no correct definition of cash flow, just as there is no single measure of profit. But just as investors distinguish between operating profit, pre-tax profit and earnings, it is important to be precise about which sort of cash flow one is talking about. Below are the definitions Lex proposes to use.



Ebitda: earnings before interest, tax, depreciation and amortisation. Ebitda has caught on as a valuation tool, especially for judging the relative attractiveness of companies in the same industry across borders – for example, European telephone companies. Typically, ratios of sales or enterprise value (market capitalisation plus debt) to ebitda are calculated. The appeal is that these measures strip out the different depreciation, capital structures and tax regimes in different countries.

Closely allied to ebitda is *operating cash flow*. The only difference is that adjustments are made for changes in working capital. Operating cash flow is the top line of UK cash-flow statements, where it is described as "cash flow from operations". While working capital changes can be important in any single year, they tend to even out over time. So, for trend analysis, ebitda is normally a better measure.

But ebitda is not a holy grail, precisely because it is calculated before many of the costs business has to bear. Most important is capital expenditure. Without investment, companies would wither on the vine. The snag is that, for most companies, only a portion of the capex is required to maintain the business while the rest is used for expansion. Ideally, companies would give a break-down; in practice, they do not. That means estimates of *maintenance capex* – the investment needed to maintain the value of the company's assets – are subjective though not worthless.

Of course, tax is also a cost to business. And, certainly if one wants to discount cash flows to calculate a net present value, one needs to take it into account. For this purpose, the best measure is *operating free cash flow*: operating cash flow minus capex and tax (but before interest). Discounting such cash flows by a company's cost of capital will give its enterprise value – from which net debt needs to be deducted to calculate the value of its equity.

Sometimes, though, one is interested simply in how much cash is left over for *shareholders* – in which case interest should also be subtracted. This *free cash flow* is the amount available for paying dividends, cutting debt and making acquisitions.

At other times, it is helpful to think of dividends as given and subtract them to give *residual cash flow*. This number, which is often negative, is the cash available for repaying debt and acquisitions. It is not terribly useful for valuation purposes, but in judging how much debt and dividends a company can support, it is invaluable.

UK takeovers

How well has Britain's Takeover Panel survived the battle for Northern Electric? Certainly, the débâcle vindicates the panel's philosophy of applying the spirit rather than the letter of the law; a legalistic approach would have been a disaster. Against this must be weighed two failures. First, much trouble could have been avoided if the panel had earlier stopped the advisers of the target company buying shares – this is not the first time the controversial tactic has been used. Second, the panel executive arguably erred on the side of a timid, rule-bound view. Certainly, the executive's reaction when BZW belatedly owned up to its extra fee – merely ruling the sum should not be collected – looks conspicuously mild. Had the panel not overruled its executive and not extended the bid timetable, Northern would still be independent today.

None of this vindicates hopes that Mr Alistair Defriez's appointment as the executive's director-general would herald a more streetwise approach. On the other hand, conspiracy theories over Mr Defriez's past role as an adviser to Northern look overblown. He offered to stay out of the decisions on this bid, but the bidder thought that unnecessary. Mr Defriez's real failure was not to move fast enough to put the rules right. Assuming the Northern battle prompts him to get a move on, some good will have come of it.

Telefónica expansion disrupted

Continued from Page 1

A Tisa-led consortium last week won a tender for a 35 cent stake in the regional Brazilian operator Companhia Riograndense de Telecomunicações for about $660m, but the purchase has been temporarily blocked because of a legal action in the state of Rio Grande do Sul.

Salomon Brothers, the investment bank advising Patrimonio del Estado, the state holding body attached to the finance ministry, said it was working on a valuation of the Tisa stake. Its estimate for the private sale is believed to have set a range of between Pta96bn and Pta111bn.

Analysts regarded this as relatively cheap, saying a price in this range would be justified by Tisa's shareholdings in telecommunications companies in Latin America.

Budget fears hit Tokyo markets

Continued from Page 1

income tax cut, and a 0.1 per cent decline in central government public spending.

"People in the market feel this fiscal tightening is dangerous," said Mr Jason James at James Capel Japan.

A stream of weak economic figures also fuelled investors' fears that the government might have taken an over-optimistic view of the economic outlook.

China now the eighth largest source of capital

By Tony Walker in Beijing

China has emerged as the world's eighth largest provider of capital, committing about $18bn in officially approved direct and portfolio investment abroad between 1989-1995, according to a study.

Illicit outflows, or capital flight, have also proved a prime source of funds for places such as Hong Kong where mainland Chinese enterprises and individuals have invested $30bn-$40bn.

Mr David Wall, a consultant to the London-based Royal Institute of International Affairs, says in a study for the Organisation for Economic Co-operation and Development that inflows of capital into China – $48.4bn in 1995 alone – have diverted attention from other aspects of China's integration into international capital markets.

The International Monetary Fund says China accounted for 2 per cent of the total global flow of capital in 1995. In time, "fast growth and savings surges in countries [like China] could offset or even dominate savings declines in countries like Japan and France."

Mr Wall says the IMF almost certainly underestimates the movement of Chinese capital abroad. Gross outflows of long-term capital may have exceeded $100bn between 1989 and 1995 of which about $50bn was not officially approved. "Not all of the outflow of long-term capital is approved by the government," he says. "Much takes the form of illegal transfers abroad. This is reflected in the large "errors and omissions" item in the balance of payments which increased from $330m in 1989 to $17.8bn in 1995.

The spread of Chinese companies abroad – has provided a ready vehicle for capital flight.

Methods include under and over-invoicing, "commissions" to associates abroad, asset swaps and the physical movement of cash.

Chinese enterprises have also made liberal use of "round tripping", involving export of capital which is then repatriated, possibly as foreign investment, to benefit from tax breaks.

Mr Wall found that there was a strong concentration of investment in Hong Kong, Australia, Canada and the US.

"The investments in these countries are diversified, but there is something of a concentration in Hong Kong on trade and services, on securing raw material in Australia and Canada, and on securing proprietary technology in the case of the US.

Outflows of Capital from China; OECD Development Centre Technical Paper, 1997. David Wall, Royal Institute of International Affairs.

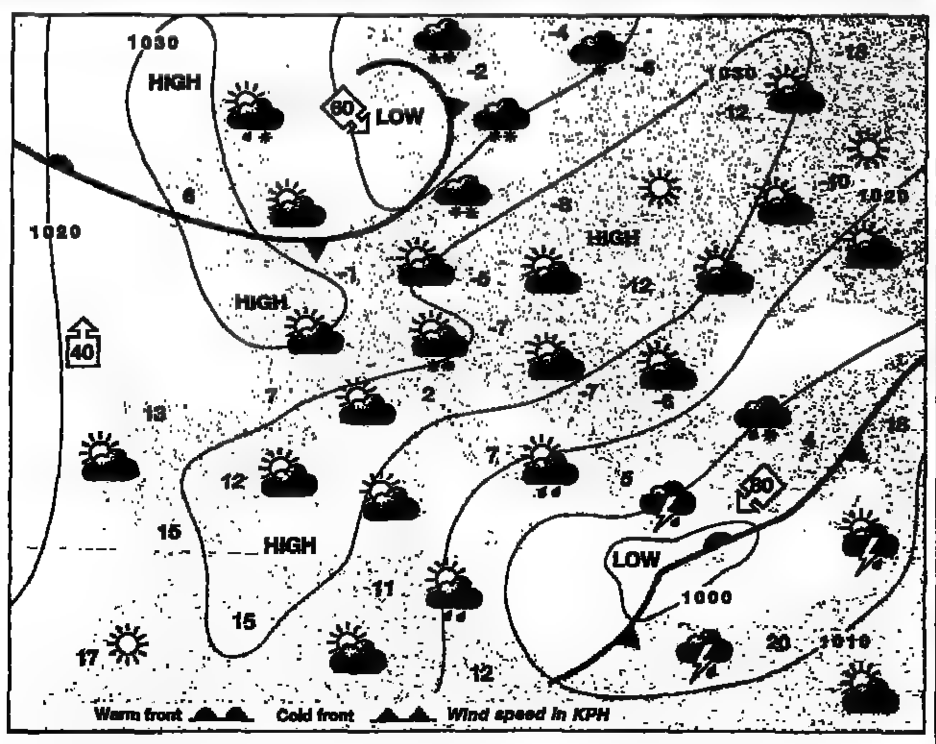
FT WEATHER GUIDE

Europe today

Most of western Europe will be mainly dry with sunny periods. The Netherlands and northern Germany will have snow as a disturbance approaches from the North Sea. Snow is also expected in southern Scandinavia and the Baltic states. Eastern Europe will be sunny. France and Spain will have sunny periods. The Alps will have sunny periods with snow in the north. Italy will have showers in the south and thunder showers are expected over Malta. Greece will also have thunder showers.

Five-day forecast

North-west Europe will continue wintry for the next few days as disturbances draw cold air and snow into the area.High pressure will keep eastern Europe mainly dry. Spain will also be mainly dry, but south-eastern Europe will have showers or rain as a disturbance develops over the Mediterranean.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum	Beijing	sun 4	Caracas	thund 29	Faro	fair 16	Madrid	fair 10	Rangoon	fair 31
	Celsius	Belfast	fair 5	Cardiff	fair 6	Frankfurt	fair -2	Majorca	fair 12	Reykjavik	fair 4
Abu Dhabi	sun 25	Belgrade	fair -7	Casablanca	shower 18	Geneva	fair 0	Malta	shower 9	Rio	shower 29
Accra	fair 30	Berlin	cloudy -4	Chicago	cloudy 3	Gibraltar	fair 12	Manchester	fair 5	Rome	fair 8
Algiers	cloudy 14	Bermuda	fair 23	Cologne	fair -1	Glasgow	fair 5	Manila	fair 29	S. Frsco	cloudy 13
Amsterdam	snow -1	Bogota	fair 20	Dakar	fair 24	Hamburg	snow -3	Melbourne	fair 27	Seoul	rain 6
Athens	thund 8	Bombay	sun 32	Dallas	fair 19	Helsinki	snow -6	Mexico City	sun 22	Singapore	thund 32
Atlanta	fair 19	Brussels	cloudy -1	Delhi	sun 24	Hong Kong	fair 21	Miami	sun 26	Stockholm	snow -2
B. Aires	fair 26	Budapest	fair -3	Dubai	sun 25	Honolulu	fair 28	Milan	fair 4	Strasbourg	fair -4
B.ham	fair 6	C.hagen	snow -1	Dublin	shower 6	Istanbul	sleet 3	Montreal	cloudy 1	Sydney	fair 24
Bangkok	sun 32	Cairo	sun 21	Dubrovnik	fair 4	Jakarta	thund 30	Moscow	fair -15	Tangier	cloudy 14
Barcelona	fair 11	Cape Town	fair 25	Edinburgh	shower 5	Jersey	fair 5	Munich	snow -9	Tel Aviv	sun 22
						Karachi	sun 28	Nairobi	fair 26	Tokyo	sun 11
						Kuwait	sun 23	Naples	shower 3	Toronto	snow 1
						L. Angeles	cloudy 18	Nassau	sun 26	Vancouver	snow -1
						Las Palmas	rain 22	New York	fair 8	Venice	fair 3
						Lima	sun 25	Nice	fair 10	Vienna	fair -8
						Lisbon	fair 14	Nicosia	thund 21	Warsaw	fair -6
						London	shower 6	Oslo	snow -2	Washington	cloudy 14
						Lux.bourg	fair -4	Paris	fair -1	Wellington	fair 22
						Lyon	sun -3	Perth	fair 26	Winnipeg	cloudy -13
						Madeira	shower 20	Prague	fair -7	Zurich	fair -5

FINANCIAL TIMES
COMPANIES & MARKETS

 Friday December 27 1996 Week 52

IN BRIEF

Murdoch ponders ASkyB venture

Rupert Murdoch's News Corporation is considering launching a public offering for 30 per cent of American Sky Broadcasting, the $1bn digital satellite television venture scheduled for launch next year. An initial public offering would fill the gap left by the changed circumstances of News Corp's original partner in the project, MCI Communications. MCI was going to take a 50 per cent stake in the ASkyB venture and hold the licence for the digital satellite frequencies. Page 16

Wiseman receives clearance to bid
Robert Wiseman Dairies of Scotland is preparing to enter talks on a possible takeover of Scottish Pride Holdings, its main rival, after receiving a qualified go-ahead from the government. The two companies account for nearly 80 per cent of the Scottish milk market. Page 14

Banerj state sale faces further delay
The privatisation of Brazil's troubled state banking sector failed to get off the ground when the sale of Banerj, controlled by the state of Rio de Janeiro and Brazil's second-largest state-owned bank, was postponed for the second time in nine days. Page 16

Seat expecting up to $31m in profits
Seat, the Volkswagen group's Spanish carmaker, expects to show a net profit of Pta3bn-4bn ($23m-$31m) this year following four consecutive years of losses, according to outgoing chairman Mr Juan Llorens. Mr Llorens, who took over at the height of Seat's troubles in 1993, when its losses reached Pta151bn, is being replaced by Mr Pierre-Alain de Smedt, head of VW's Brazilian subsidiary. Page 16

Euromerchant in $10m Albanian venture
Euromerchant Bank, the Greek bank controlled by the Latsis shipping group, has launched a $10m venture capital fund to invest in private companies in Albania. The Euromerchant Albania Fund will be managed by Global Finance, a venture capital and private equity management company which runs a similar fund investing in Bulgaria and Romania. Page 16

Goldman Sachs to help Turk Telekom
Turkey has appointed a consortium headed by Goldman Sachs to advise it on the stalled sale of Turk Telekom, the lynchpin of the government's privatisation programme. Turkey hoped that 10-15 per cent of Telekom would be ready for offer in up to three months after Goldman Sachs had completed its advisory services and the sale strategy had been worked out. Page 16

US inflation-linked bonds delayed
The US Treasury Department has postponed the launch of its first inflation-linked bonds, which had been expected in mid-January, and has yet to set a new date. The department said the move was not connected to the recent controversy over US inflation data. Page 17

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes

NEW YORK ($)				UFB Locab	498	+	18
Rises				**Falls**			
Centennial Tec	48⅝	+	2⅝	Chargeurs	249	–	9
Coltec Corp	60	+	2⅜	Galbert	961	–	11
UAL Corp	63⅝	+	2¾	**TOKYO (Yen)**			
Falls				**Rises**			
Exec Risk	34¼	–	1⅞	Aoki Corp	249	+	13
Nipsco Cp Mkt	23¾	–	1	Daicel Chem	533	+	33
Nova Corp	20¼	–	1	Tosoh Corp	404	+	29
LONDON (Pence)				**Falls**			
Rises				Gakken	600	–	31
Brit Borneo	815	+	56	JEOL	650	–	45
Flextech	687½	+	[illegible]	Nip Shoryu	805	–	35
Inspirations	89	+	13½	**HONG KONG (HK$)**			
Jourdan (T.)	31½	+	5	**Rises**			
Rank	422½	+	3½	Citic Pac	41.30	+	0.90
Falls				Dah Sing	31.10	+	0.90
Brake Bros	550	–	26	Midland Realty	6.70	+	0.30
TORONTO (C$)				Shanghai Indl	25.20	+	0.80
Rises				**Falls**			
Cinram	37.2	+	1.25	New Wld Dev	51.75	–	0.75
Consol Euro	5.95	+	0.8	Wharf	30.40	–	0.50
Ensign Res	24.95	+	1.45	**BANGKOK (Baht)**			
Falls				**Rises**			
Doman Inds B	9.0	–	0.75	Interlife	89.0	+	8.0
Electrohome	8.5	–	1.25	Post Publish	55.0	+	5.0
Veritas Engy	27.0	–	3.0	Serm Suk	374.0	+	32.0
PARIS (FFr)				**Falls**			
Rises				Nippon Pack	44.5	–	4.75
Air Liquide	827	+	13	Thai Factory	36.0	–	4.0
BIC	774	+	8	Unique Gas	55.0	–	4.0
Carrefour	3377	+	46				

London, Toronto and Hong Kong prices Dec 24. Frankfurt closed. New York prices at 12:30pm.

Yamaichi in $1.3bn bail-out of affiliate

Broker follows rivals in rescuing a non-bank lender

By William Dawkins in Tokyo

Yamaichi Securities, the weakest of Japan's big four stockbrokers, is to inject Y150bn ($1.3bn) into its struggling non-bank affiliate, Yamaichi Finance, to write off bad property-related loans.

This is the third of the top brokers, after Nomura and Daiwa, to bail out a lending affiliate in a belated campaign to clear up the debris from the collapse of property prices five years ago.

Traders said the Yamaichi write-off and the voluntary collapse of an unrelated non-bank lender had contributed to a sharp fall in Tokyo share prices over the Christmas period – as a reminder of the unresolved problems in Japan's financial system.

Nikko Securities is the only one of the big four not to have taken such action. Analysts believe it will now be under pressure to write off its non-bank unit's problems. Non-banks are lenders without a licence to take deposits from the public. They played an important part in channelling credit to riskier property projects – considered unsuitable for the main banks – during the 1980s asset price boom.

Until recently, Japan's stockbrokers preferred to hide the problems of non-bank affiliates in the hope that property prices would rise enough to float bad debtors out of trouble. But prices have yet to recover.

Nomura Securities, the leading broker, abandoned the wait-and-see strategy in September by announcing a Y371bn bail-out for its non-bank unit, Nomura Finance. Daiwa Securities followed last month with a Y120bn injection for Daiwa Finance.

Yamaichi will follow the example of its two competitors in booking the write-off as an extraordinary loss in the year to March 31. As a result, it expects to make a Y110bn unconsolidated net loss in the current year, rather than the Y16bn profit it forecast in October, with the publication of its results for the first half of 1996-97. It made a Y15.8bn net profit in the 12 months to last March.

Yamaichi is leaving unchanged its forecasts of operating profits for the current year. It projects a 26 per cent rise in recurring profit – before tax and extraordinary items – to Y19bn on revenues up 2.6 per cent to Y230bn.

Separately, the Tokyo based non-bank lender Koei Corporation, with debts of Y260bn, announced it would file for voluntary liquidation on March 31. It took the decision after obtaining the consent of its main bank, Industrial Bank of Japan, which has Y61.2bn in outstanding loans to Koei.

This is the latest example of a new trend in which leading banks are prepared to let non-banks connected to them go into liquidation rather than continue to prop them up as stockbrokers have been doing. The trend was established two months ago by Dai-Ichi Kangyo Bank, Asahi Bank and the Bank of Yokohama, which allowed Nichiei Finance to go into liquidation with liabilities of Y991.4bn, the largest corporate failure in Japan's post-war history.

Northern minority investors may spurn bid winner

By Simon Holberton and William Lewis

Leading minority shareholders in Northern Electric have not yet decided whether to accept the successful £782m takeover bid for the north-east of England electricity company from CalEnergy of the US.

The US independent power producer said on Tuesday that it owned or had received acceptances for 50.3 per cent of Northern's shares. Northern's board is expected to recommend today that minority shareholders accept the bid. But there was speculation yesterday that several shareholders, including M&G and Foreign and Colonial, holding about 15 per cent of the company, may decide not to sell to CalEnergy and instead remain as minority shareholders.

"There is a strong argument that, in a heavily regulated business like Northern's, our position will be protected because CalEnergy will take value out by paying dividends," one said.

Takeover rules mean that CalEnergy can carry out a compulsory purchase of the remaining shares only if it holds 90 per cent of Northern.

CalEnergy achieved the narrowest of victories after the Takeover Panel, the City watchdog that regulates bids, intervened to extend the offer. It also overcame a last-ditch attempt by Prudential Corporation to defeat the bid.

The panel decided to extend the bid because Barclays de Zoete Wedd, an adviser to Northern, failed to tell a panel inquiry last week the full extent of the fees it would earn. The oversight cost Northern its independence.

Mr David Sokol, the chairman of CalEnergy, said: "I am absolutely delighted that the majority view has prevailed. We look forward to getting on with the business of running the company."

Northern said the company accepted the market's judgment. "It is sad, however, that the value arguments that had won the day were overturned by a technicality," it said.

This was a reference to the panel's ruling against BZW and the fact that at the close of the original bid timetable last Friday CalEnergy had received acceptances for only 49.77 per cent of Northern's shares.

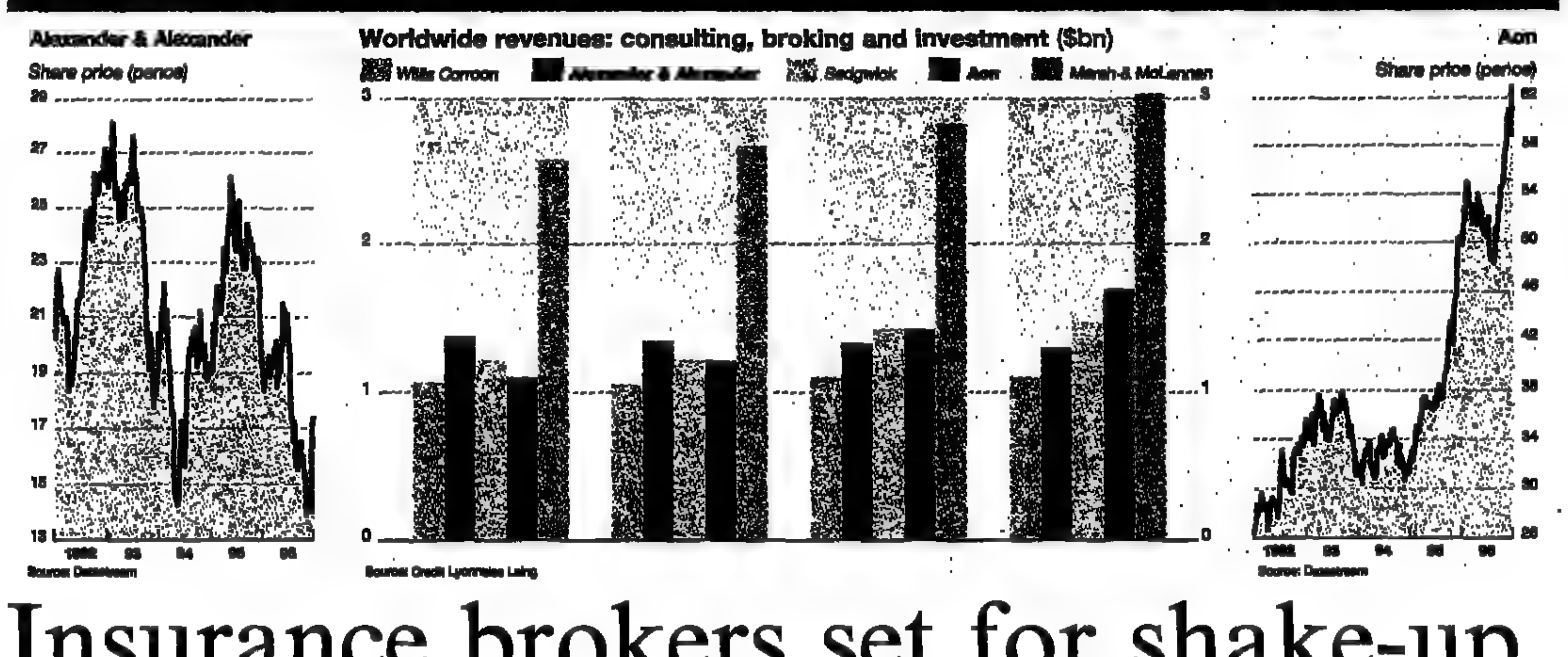
In the dying hours of the bid, Prudential lobbied institutions that had accepted CalEnergy's offer, and succeeded in persuading holders of nearly 1m shares to sell them for 650p, the price CalEnergy was prepared to pay.

But it was a decision by Gartmore, a large fund manager owned by National Westminster Bank, to accept CalEnergy's offer that was believed to have delivered victory to the US company. It had 950,000 shares, the bulk of the 1.17m CalEnergy needed to counter Prudential's buying.

CalEnergy's acquisition of Northern means there are only two independent regional electricity companies – Southern Electric and Yorkshire Electricity – left from the 12 that were privatised in 1991. Six of the 10 have been taken over – or, as with East Midlands and London Electricity, are in the process of being taken over – by US bidders, who have collectively spent more than £7.8bn.

Lex, Page 12;
Cock-up theory, Page 14

Insurance brokering: how the leaders compare



Insurance brokers set for shake-up

Aon's merger with a US rival heralds big changes across the sector

US insurance broker Aon's $1.23bn agreed bid for rival Alexander and Alexander will shake to the core an industry where profitability is marginal and growth elusive.

The case for consolidation among insurance brokers is persuasive. Rates have tumbled in recent years and a trend among larger clients to demand risk management advice from a broker rather than just insurance has led to higher spending on information technology and staff.

Some multinationals are insuring themselves through "captive" companies, and small commercial buyers have begun taking on risks themselves. Many customers increasingly prefer to pay fees and not commission, intensifying competition.

The merged group will push Marsh & McLennan, the world's biggest broker in revenue terms, into second place. It will achieve significant cost savings in both the US and London insurance markets, where there is considerable overlap between the two.

Competitors are expecting to benefit from a fall-out of skilled staff and business, and while some might argue that one less broker means reduced competition, complacency would be dangerous.

The merger looks particularly ominous for UK broking group Sedgwick. It derives 44 per cent of its income from the US and may have been considering a merger with at least one of the two.

Aon's move surprised few industry executives and analysts. This relatively young and acquisitive firm had a significant pile of cash following the disposal last year of two US life assurance subsidiaries to GE Capital for $1.36bn. It snapped up UK broker Bain Hogg in October from Inchcape.

Alexander and Alexander was viewed as vulnerable to a bid: third-quarter profits from the world's fourth biggest broker were disappointing and the share price had been falling.

Whether this marks the end of Aon's acquisition spree is unclear. Analysts argue that what the group gained from selling the life companies has been spent on the brokers, so another big purchase is unlikely. "They've got to get it all together and create a global, seamless broker, otherwise you don't get the cost savings," says Mr Roman Cizdyn, insurance analyst at Merrill Lynch.

Some estimate costs worldwide could be trimmed by about 10 per cent. In the UK, back-office operations and computer systems could be integrated and some of its eight London properties sold.

"Even though we've become the biggest broker in the sector, we're not obsessed with being the largest," says Mr Ron Forrest, the chairman and chief executive of Aon Risk Services Companies and former chief executive of Bain Hogg.

"The strategic objective is to get a critical mass to enable us to serve our clients. We're aiming to integrate our operations to have the critical mass and reduce the cost base to our clients and offer the widest range of services," says Mr Forrest, who retains his role as head of UK retail broking.

Speculation about the sector's next merger has focused on Marsh & McLennan and Sedgwick.

The US group does not have the business mix of a pure insurance broker, earning almost half its $3.8bn 1995 revenue from consulting and investment management. It prefers organic growth and wants to expand consultancy overseas.

As for Sedgwick, market rumours over the past few weeks have linked it with both Marsh & McLennan and Willis Corroon.

The former would make a more likely partner, given its strength in non-broking areas which would fit with Sedgwick's efforts to diversify out of property and casualty broking.

Alternatively, Sedgwick, already well represented in the US and UK, may merge with a smaller broker strong in other areas.

Willis Corroon, for its part, indicated in August that any consolidation among the global brokers would lead it to reassess its position. But for now it maintains that it is not convinced by the arguments for large-scale mergers.

Its recent review came out in favour of making small, targeted acquisitions. Analysts suggest one reason for this may be that the insurance broking merger which created Willis Corroon a few years ago did not achieve all its goals. Chunks were taken out of the revenue base as insurance markets deteriorated.

Poor results during 1994 may have in part precipitated the review.

Christopher Adams

Elf Atochem buys Laporte adhesives

By Jenny Luesby

Laporte, the UK speciality chemicals company, has sold its European adhesives business to Elf Atochem, subsidiary of the French oil producer Elf Aquitaine, for about £100m ($167m).

The deal, announced yesterday in Paris by Elf Atochem, comes as part of a radical reshaping of Laporte under Mr Jim Leng, who took over as chief executive just over a year ago.

Mr Leng had put up for sale the adhesives and coatings division, accounting for nearly one quarter of group turnover of £1.03bn. Yesterday's deal shows that Laporte has decided on piecemeal disposals, rather than a sale to a single buyer.

Still to be sold are Laporte's US adhesives business and its timber treatment business, accounting for sales of £150m.

Elf Atochem has been keen to extend its adhesives activities as part of a strategic shift from bulk chemicals towards speciality products. Until now, its adhesives business has been concentrated in France.

Laporte's European adhesives business has annual sales of £100m. It includes Evode and Sovereign in the UK, Evode Industries in Ireland, Simson in the Netherlands and Hey'di in Germany. It will be integrated into AtoFindlay, a company set up after the acquisition of Findlay Adhesives of the US.

The sale of the European business will virtually eliminate Laporte's net debt of about £110m. However, according to one analyst, the benefit to shareholders will depend on the price Laporte can get for the remainder of its adhesives division.

Mr Leng has made it clear his main aim is to narrow the group's range of activity. He has identified the adhesives division as a fragmented, low-margin business closer to the consumer than is normal within speciality chemicals.

Laporte's adhesives division last year achieved an operating profit of £17.2m on sales of £230.5m, a margin of 7.5 per cent. The group's overall operating margin was 11 per cent.

Wiseman receives clearance to bid

By Clay Harris

Robert Wiseman Dairies is preparing to enter talks on a possible takeover of Scottish Pride Holdings, its main rival, after receiving a qualified go-ahead from the government. The two account for nearly 80 per cent of the Scottish milk market.

Mr Ian Lang, trade and industry secretary, accepted the Monopolies and Mergers Commission recommendation that Wiseman be allowed to buy Scottish Pride, the processing arm of the former Scottish Milk Marketing Board, only if it gave undertakings to the Office of Fair Trading about prices and acquisitions.

Wiseman said on December 24 that it could live within the conditions laid down by Mr Lang. The companies have not held formal discussions, but are expected to do so in the new year.

The MMC said a takeover would be expected to operate against the public interest. While national supermarket groups could prevent Wiseman from exploiting its dominant position, other retailers could be expected to face higher wholesale prices than would otherwise be the case.

But the MMC stopped short of recommending that a takeover be blocked, because it did not believe Scottish Pride could continue as an independent company. It considered the chances of Scottish Pride finding an alternative buyer for its fresh processed milk business remote.

At the annual meeting in August, Lord Sanderson of Bowden, chairman, said Scottish Pride was undercapitalised and needed to raise £11m. In the year to March, it reported a pre-tax loss of £4.2m on sales of £138m.

Last month, it said talks were at an advanced stage on the sale of its UHT, cheese and butter businesses to Scottish Milk, its main milk supplier. Wiseman told the MMC it was interested in Scottish Pride whether or not this went ahead.

The MMC referral followed a formal approach made in May by Wiseman's advisers for information about Scottish Pride.

Mr Lang accepted the MMC's advice and said Wiseman should:

● submit, and make publicly available, regular audited reports about its prices to seven categories of customer in Scotland;

● provide customer lists and any other data the OFT needed to determine that its market position was not being abused; and

● undertake not to buy any other supplier of fresh processed milk in Scotland without the OFT's prior consent.

Mr Lang's decision was announced shortly before the stock market closed on December 24. Both companies' shares closed unchanged, Wiseman at 165p and Scottish Pride, traded on Aim, at 42½p.

Robert Wiseman Dairies plc and Scottish Pride Holdings plc - a report on the proposed merger, The Stationery Office, £14.30.

Takeover conduct leads to cock-up theory

Jane Martinson and William Lewis find the City bewildered by Northern Electric's failed defence

The extraordinary climax to the takeover battle for Northern Electric put the spotlight on several of London's most powerful institutions.

Those playing key roles included BZW, Northern's broker; Schroders, its adviser; the Prudential, a big Northern shareholder; and the Takeover Panel, the regulatory body.

BZW emerged the most bloodied. The panel's investigation into the disclosure of its £250,000 performance-related fee is set to continue and could lead to further sanctions from other regulators. Mr Alistair Defriez, the panel's director general, said BZW's behaviour would be investigated but "at this stage there are no accusations being levelled".

A spokesman for BZW said: "We believed at the meeting of the panel on Wednesday that we had dealt fully with the obvious issues of concern, which were linkage of our fee arrangement to success of the bid and to the purchase of shares, and we provided categoric assurance that no such linkage existed."

Competitors of BZW said the bank's actions appeared to be the result of "cock-up rather than conspiracy" but that it was "highly embarrassing" for it. One corporate financier at a rival house said: "While nobody has come out clothed in glory, BZW's reputation will have suffered most. You're only as good as your last deal is the saying in this business."

Schroders, Northern's financial advisers, said: "We are obviously disappointed that the success of our powerful defence has been reversed on a technicality." However an adviser to Schroders said: "People there are absolutely shattered. They feel cheated of an historic defence because of this."

A competitor of BZW's said it should have involved its corporate finance arm more, with greater experience of panel hearings. "The trick with the panel is always to be up-front and honest and the worst thing you can do is leave the impression that you've told the truth but not the whole truth," he said.

BZW said it expected to be exonerated by the panel investigation. "I think people who take a clear and dispassionate look at the facts are going to recognise that BZW acted in the best interests of its clients throughout and was completely scrupulous in its behaviour. We did nothing that broke the code or the law throughout the proceedings. We simply did what we believed was best for our clients."

On December 24 several of Northern's shareholders criticised BZW's role. "If they had not screwed it up last week, Northern would have won," said one institutional investor. Other shareholders who supported Northern were critical of the panel and its decision to extend the deadline. "How the £250,000 can be enough to persuade the panel to extend it is beyond me," one said.

The Prudential, which attempted to defeat the bid by offering cash to investors which had already accepted the terms, said: "Our actions throughout were taken with a view to the long-term value of our shareholding."

Following talks between Pru executives on December 22, Cazenove, the stockbroker, was instructed to buy Northern shares. But stock was not actually bought until four hours of frantic trading on the morning of December 24, when Cazenove purchased some 900,000 Northern shares at 650p each for the Pru, taking the latter's stake to more than 12 per cent. Fund managers at the Pru believed CalEnergy's offer undervalued Northern.

All the main participants agree the outcome was profoundly affected by two meetings held between BZW and the panel on the Wednesday and Friday before the original bid deadline. At a meeting on Wednesday to discuss BZW's share purchases, neither the broker nor its lawyers, Norton Rose, mentioned the discretionary fee.

Mr Simon de Zoete, BZW vice-chairman, did not attend the meeting. When he saw the text of the meeting the following day, the mention of a flat fee caught his attention as he had been involved in arranging the £250,000 discretionary fee. The fee had been proposed by BZW at the beginning of the CalEnergy bid as a way of rewarding its performance.

By Thursday night, BZW had decided to alert the panel. A 10.30pm call to Mr De Zoete's home from the panel set the Friday morning meeting. The timing appeared particularly unfortunate for BZW because of Thursday night's decision by Northern's board to pay the £250,000.

The belief that BZW's behaviour was a result of cock-up rather than conspiracy is based on the assumption that BZW and its legal advisers either forgot about the fee at Wednesday's meeting or did not think it worth mentioning, because neither the outcome of the bid nor the share purchasing had anything to do with it.

As one corporate financier said: "Why would a bank of this size risk so much for this sort of fee?"

Fairey raises its offer for Burnfield

By David Blackwell

Fairey Group, the specialist engineer, has raised its offer for Burnfield, the measuring instruments manufacturer, by 11.5 per cent.

Merrill Lynch, Burnfield's adviser, considers the revised £57.7m offer fair and reasonable. However, for technical reasons related to another proposed purchase, the Burnfield board cannot recommend acceptance.

Under the latest offer, Burnfield shareholders will receive 25 new Fairey shares for every 92 Burnfield shares.

The offer is equivalent to 165p a share. It represents a 65 per cent premium to Burnfield's closing price on December 16, the day before the launch of the original £51.1m hostile bid.

Burnfield shareholders will also receive the 2.2p final dividend forecast by the board for the year to December 31.

Fairey's bid remains conditional on shareholders rejecting Burnfield's proposed £24m acquisition of LDS, a privately owned vibration equipment group. This was unveiled on December 13, together with a 7-for-10 rights issue at 90p to help pay for it. Burnfield's extraordinary general meeting on Monday is expected to be postponed.

On launching the bid Mr John Poulter, chief executive of Fairey, said substantial savings could be achieved by integrating Burnfield's Beta laser gauging and Malvern particle measurement divisions. He suggested that the enlarged group could capture 25 per cent of the global market.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Caledonian Trust ◊	Yr to June 30	3.27	(2.96)	0.6	(0.92)	5.1	(8.2)	-	-	-	-	-
Investment Trusts		**NAV (p)**		**Attributable Earnings (£m)**		**EPS (p)**		**Current payment (p)**	**Date of payment**	**Corresponding dividend**	**Total for year**	**Total last year**
St David's	Yr to Nov 30★	246	(261)	1.8	(1.64)	17.96	(15.58)	8	Dec 31	7	20‡‡	18

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. ◊Aim stock. ★Comparatives restated. ‡‡Including 3p per income share special dividend payable Feb 28.

NEWS DIGEST

Rank buys Hard Rock Canada

Rank Organisation, which in June paid £270m cash for most of the Hard Rock Cafés outside the UK that it did not control, has now bought the Canadian outlets for $61m (£36.5m). The acquisition of three owned cafés and eight franchises in Canada takes the diversified leisure group's total to 75 Hard Rock cafés around the world.

Hard Rock is central to the strategy of Mr Andrew Teare, who became Rank chief executive in April. Earlier this month, analysts downgraded profit forecasts by some 5 per cent to about £300m, after a Rank trading statement warning of operating profits at existing Hard Rock Cafés "slightly lower" than in 1995. *David Blackwell*

Bunzl in £62m disposals

Bunzl, the paper and packaging group, has agreed to sell its German and Italian fine paper businesses to KNP BT, the Dutch paper, packaging and distribution group, for £61.6m. KNP will pay Bunzl £57.6m in cash and assume about £4m of external borrowings, providing the disposal is cleared under European Union merger regulations.

Mr David Williams, Bunzl managing director, said the disposal was part of Bunzl's strategy to exit lower margin businesses. He said the group did not plan to sell any other operations. "We do not have a for sale sign on any business," he said. *Motoko Rich*

BAT dismissed from US suit

A second US court has dismissed BAT Industries from a smoking-related lawsuit against its Brown & Williamson Tobacco subsidiary, further easing fears that the UK group may have to pay large sums in compensation to people who fell ill after smoking cigarettes.

On Tuesday, a district court in Missouri granted BAT's motion dismissing the company from a case brought against B&W by a local woman because of lack of personal jurisdiction. District Judge Ortrie Smith held that Mrs Barbara Smith had failed to demonstrate that BAT, as opposed to its subsidiary, had transacted business in Missouri or was involved in any conduct of B&W alleged to be tortious.

The ruling follows a similar judgment by a Florida court earlier this year which dismissed BAT from claims made against B&W. *Patrick Harverson*

British Borneo takes on wells

British Borneo Petroleum, the exploration and production company, has taken up the rights to one of Shell's deep water fields in the Gulf of Mexico. It will operate the three known wells in the Leo field if they are found to be viable. Shell will retain an overriding royalty as well as a share in the profits above a certain level.

Argent buys stores for £32m

Argent, a property company, has bought seven stores from Littlewoods, the retailer, for £32.2m. They will be leased back to Littlewoods for 25 years at an aggregate initial rent of £2.46m.

Lilleshall sells Vanplas unit

Lilleshall, the building products, plastics, engineering and industrial group, is selling its Vanplas arm for £3.15m to Feneseal, a division of Laird.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price	Pool purchase price	Pool selling price
0030	[illegible]	[illegible]	[illegible]
0100	[illegible]	[illegible]	[illegible]
0130	[illegible]	[illegible]	[illegible]
0200	[illegible]	[illegible]	[illegible]
0230	[illegible]	[illegible]	[illegible]
0300	[illegible]	[illegible]	[illegible]
0330	[illegible]	[illegible]	[illegible]
0400	[illegible]	[illegible]	[illegible]
0430	[illegible]	[illegible]	[illegible]
0500	[illegible]	[illegible]	[illegible]
0530	[illegible]	[illegible]	[illegible]
0600	[illegible]	[illegible]	[illegible]
0630	[illegible]	[illegible]	[illegible]
0700	[illegible]	[illegible]	[illegible]
0730	[illegible]	[illegible]	[illegible]
0800	[illegible]	[illegible]	[illegible]
0830	[illegible]	[illegible]	[illegible]
0900	[illegible]	[illegible]	[illegible]
0930	[illegible]	[illegible]	[illegible]
1000	[illegible]	[illegible]	[illegible]
1030	[illegible]	[illegible]	[illegible]
1100	[illegible]	[illegible]	[illegible]
1130	[illegible]	[illegible]	[illegible]
1200	[illegible]	[illegible]	[illegible]
1230	[illegible]	[illegible]	[illegible]
1300	[illegible]	[illegible]	[illegible]
1330	[illegible]	[illegible]	[illegible]
1400	[illegible]	[illegible]	[illegible]
1430	[illegible]	[illegible]	[illegible]
1500	[illegible]	[illegible]	[illegible]
1530	[illegible]	[illegible]	[illegible]
1600	[illegible]	[illegible]	[illegible]
1630	[illegible]	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]
1730	[illegible]	[illegible]	[illegible]
1800	[illegible]	[illegible]	[illegible]
1830	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]
1930	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]
2030	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]
2130	[illegible]	[illegible]	[illegible]
2200	[illegible]	[illegible]	[illegible]
2230	[illegible]	[illegible]	[illegible]
2300	[illegible]	[illegible]	[illegible]
2330	[illegible]	[illegible]	[illegible]
2400	[illegible]	[illegible]	[illegible]

صفحة من الأصل

COMPANIES AND FINANCE

News Corp may offer 30% of ASkyB

By Raymond Snoddy

Mr Rupert Murdoch's News Corporation is considering a public offering of 30 per cent of American Sky Broadcasting, the $1bn digital satellite television venture scheduled for launch next year.

Mr Murdoch, chairman of News Corp, said he would "probably" go for an initial public offering to fill the gap left by the changed circumstances of his original partner in the project, MCI Communications, the US telecommunications group which is in the process of merging with British Telecommunications.

MCI was to have taken a 50 per cent stake in the ASkyB venture and hold the licence for the digital satellite frequencies.

"Their [MCI's] intention is to hold at least 20 per cent and then we would probably have an IPO for 30 per cent," Mr Murdoch said.

A US company with US shareholders is already being set up to hold the licence, and perhaps even the satellite, because MCI will be a foreign-owned company when the BT deal is completed.

"We are planning to launch in mid-October, but I can't guarantee that it won't be two or three months later," Mr Murdoch said.

ASkyB, with its 175-200 channel system, will be late into the digital satellite market in the US – behind operators such as DirecTV, owned by Hughes Electronics; Primestar, run by a consortium of cable companies led by Telecommunications Inc; and Echostar.

"In the US we have quite a few things up our sleeve. We have better pictures, better technology and we are going to put the local television stations up on the satellite. Our service would be a supplement to cable," the News Corp chairman said.

With local stations on the satellite as well as movies, subscribers will be able to receive high-quality digital pictures of their existing television stations.

Mr Murdoch believes that movies will be available to him, as the deals with DirecTV are not exclusive. Movies from Twentieth Century Fox will also continue to be available to other operators.

"You don't want to destroy the [film] business," Mr Murdoch suggested.

There will also be a local sport on the satellite, and although the News Corp sports service, Fox Sports, will continue to be shown by cable companies, it will not be available to rival satellite operators.

ASkyB is also hoping to form alliances with the US regional telephone companies to market and service the satellite system and install receiving equipment.

"All over America the cable companies have a very bad name and bad reputation. The old utilities give wonderful service," Mr Murdoch said.

The satellite service will carry Fox News, launched in October, and Sky News from the UK.

Rupert Murdoch: ASkyB 'a supplement to cable'

Seat sees return to full-year profit

By David White in Madrid

Seat, the Volkswagen group's Spanish carmaker, expects a net profit of Pta3bn-Pta4bn ($23m-$31m) this year following four consecutive years of losses, according to outgoing chairman, Mr Juan Llorens.

He confirmed the company was ahead of its plan to reach break-even in 1997, saying that results would be "modest, but in the black".

Mr Llorens, who took over at the height of Seat's troubles in 1993, when its losses reached Pta133bn, is being replaced by Mr Pierre-Alain de Smedt, head of VW's Brazilian subsidiary.

He said the result reflected financial support from VW for the company's restructuring programme and Pta46bn in aid from Spanish central and regional governments. However, he added that even without these inflows, it was the company's best result since VW took control in 1986.

Output, including vehicles made for VW, would be more than 415,000 – an increase of about 21 per cent – and was expected to rise to 450,000 next year. Since 1993, production had risen 40 per cent with a workforce reduced by 30 per cent, from 18,380 to 12,900. Annual production per employee had doubled during his term as chairman, he said.

"We have turned the page on the crisis of 1993," he said, describing the the company's situation at that time as "extremely critical". "The continued existence of the Seat marque and the company itself were at stake."

The company, which exports about 70 per cent of its production, revealed in September that it had moved out of loss for the first time in five years.

Greek bank launches $10m fund to invest in Albania

By Kerin Hope in Athens

Euromerchant Bank, the Greek bank controlled by the Latsis shipping group, has launched a $10m venture capital fund to invest in private companies operating in Albania.

The Euromerchant Albania Fund will be managed by Global Finance, an Athens-based venture capital and private equity management company which runs a similar fund investing in Bulgaria and Romania.

Mr Angelos Plakopitas, Global's managing director, said the closed-end fund had 10 deals in the pipeline, mostly involving Greek companies.

The fund is expected to focus on private-sector construction, manufacturing of consumer goods and projects in energy and agriculture.

"We plan to invest alongside international companies setting up in Albania," he said. These are likely to be from Greece and Italy, the main sources of investment there to date.

Joint venture partners in Albania were likely to be returned emigrants setting up their own businesses on the basis of experience gained working in Italy and Greece, Mr Plakopitas said.

More than 500,000 Albanians are estimated to have worked abroad since a communist era ban on foreign travel was lifted in 1991.

The Albanian government is investing $3m in the new fund through INSIG, the state-owned insurance monopoly. Euromerchant Bank has made an initial commitment of $1m to the fund.

The European Bank for Reconstruction and Development is investing Ecu2.8m ($3.47m), while the International Finance Corporation, the World Bank's private sector lending arm, is expected to provide $1.5m.

The remaining funds are due to be raised by April.

Further delay for Banerj sell-off

By Jonathan Wheatley in São Paulo

The privatisation of Brazil's troubled state banking sector failed to get off the ground yesterday when the sale of Banerj, controlled by the state of Rio de Janeiro, was postponed for the second time in nine days.

The bank's employees brought a legal action arguing that Banerj's assets had been undervalued. With the buyer risking having to make extra payments to match a future revaluation, yesterday's auction was cancelled minutes before it was due to begin, following a postponement on December 17 on constitutional grounds.

Many of Brazil's state-controlled banks face serious difficulties after years of being used as sources of capital by their political controllers.

Banerj and Banespa of São Paulo, Brazil's biggest state-controlled bank, were taken under central bank control in December 1994.

For the past year Banerj has been managed by Bozano Simonsen, a Rio de Janeiro investment bank, in preparation for privatisation. The government of São Paulo has resisted selling Banespa and its future remains uncertain.

Banerj's temporary administration is due to expire at the end of this month.

INTERNATIONAL NEWS DIGEST

Timetable set for SFP privatisation

The French government expects to complete the privatisation of Société Française de Production, the audio-visual group, by mid-1997. Yesterday's disclosure of the likely timing of the disposal, by Mr Philippe Douste-Blazy, culture minister, came two days after the government announced its preference for a joint bid for SFP by Générale des Eaux, the diversified utilities company, and Havas, the media group.

The deal depends on a state capital injection of up to FFr1.2bn ($229m), of which FFr350m will be paid before the end of this year. It must be approved by the French government's independent privatisation commission.

Interviewed by Les Echos, the French business newspaper, Mr Douste-Blazy said the Générale des Eaux-Havas offer presented the best plan for SFP. He said the full cost of the company to French taxpayers since 1990 would have been FFr3.4bn, including interest, once the new capital injection had taken place.

David Owen, Paris

Goldman Sachs in Turkish deal

Turkey has appointed a consortium headed by Goldman Sachs to advise it on the stalled sale of Turk Telekom, the lynchpin of the government's privatisation programme, Mr Ufuk Soylemez, state minister, said yesterday.

Mr Soylemez said he hoped that between 10 per cent and 15 per cent of Turk Telekom would be ready for offer in up to three months after Goldman Sachs had completed its advisory services and the sale strategy had been worked out.

The government hopes to raise $3.5bn from the sale, which has been hindered by constitutional challenges.

Reuter, Ankara

Casino, Monoprix agreement

Casino and Monoprix, the two French retailers, have signed a partnership agreement to co-operate in purchasing and logistics. The two groups said the move demonstrated their "objective of preserving and revitalising commerce in city centres".

The deal rounded off an eventful year for the French retail sector, which is undergoing consolidation with chains seeking growth and cost-cutting through mergers. Monoprix is owned by Galeries Lafayette, the retail group named after its Paris flagship department store, which in October reported a reduced first-half operating loss of FFr137m ($26m).

David Owen

Gan raises FFr2.3bn

Gan, the French insurer, said yesterday it had raised FFr2.3bn ($438m) in a private loan placement under its Parixel unit. FFr1.3bn francs will be received during the remaining days of this year, with the rest in early 1997.

Repayment of the loan, amortisable over seven years, will be guaranteed by the sale of real estate valued at 150 per cent of the loan, or FFr3.4bn. The real estate is currently owned by Gan's Parixel and Baticredit units.

AP-DJ, Paris

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1523-3.5	1553-4
Previous	1518.5-9.5	1551-2
High/low		1559/1552
AM Official		
Kerb close		1557-8
Open int.	n/a	
Total daily turnover	n/a	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1377-7.5	1400-02
Previous	1370-80	1398-400
High/low	1377	1400/1395
AM Official		
Kerb close		1400-05
Open int.	n/a	
Total daily turnover	n/a	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	717-8	721-2
Previous	703-4	707-7.5
High/low		722/708
AM Official		
Kerb close		716-8
Open int.	n/a	
Total daily turnover	n/a	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6435-40	6530-35
Previous	6415-25	6520-30
High/low	6435/6430	6550/6460
AM Official		
Kerb close		6480-90
Open int.	n/a	
Total daily turnover	n/a	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5710-20	5765-7
Previous	5715-25	5765-70
High/low		5800/5760
AM Official		
Kerb close		5770-80
Open int.	n/a	
Total daily turnover	n/a	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1049.5-50.0	1070-70.5
Previous	1040-1	1063-4
High/low		1073/1067
AM Official		
Kerb close		1072-3
Open int.	n/a	
Total daily turnover	n/a	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2231-2	2134-5
Previous	2226-33	2131-3
High/low		2145/2120
AM Official		
Kerb close		2143-5
Open int.	n/a	
Total daily turnover	n/a	

■ LME AM Official £/$ rate: 1.6751
LME Closing £/$ rate: -

Spot: 1.6751 3 mths: 1.6718 6 mths: 1.6676 9 mths: 1.6627

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	102.10	+0.50	103.45	101.50	703	1,611
Jan	102.05	+0.45	103.35	101.80	2,195	5,412
Feb	100.90	+0.70	101.75	100.00	18	1,335
Mar	99.70	+0.65	101.00	98.85	1,974	20,833
Apr	98.50	+0.65	98.40	98.40	29	858
May	97.00	+0.75	97.00	96.90	42	4,341
Total					8,310	50,582

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	368.85-369.15		
Opening	369.00-369.30		
Morning fix	368.90	220.496	494.926
Afternoon fix	-	-	-
Day's High	369.10-369.40		
Day's Low	368.75-369.05		
Previous close	368.70-369.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.15 6 months 3.92
2 months ....4.10 12 months 3.88
3 months 4.06

Silver Fix	p/troy oz.	US cts equiv.
Spot	289.35	484.50
3 months	293.30	490.20
6 months	297.85	496.40
1 year	307.00	508.55

Gold Coins	$ price	£ equiv.
Krugerrand	369-370	220-221
Maple Leaf	-	-
New Sovereign	86-89	51-53

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.) [illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) [illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) [illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel) [illegible]

■ CRUDE OIL IPE ($/barrel) [illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.) [illegible]

■ GAS OIL IPE ($/tonne) [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.) [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.) [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne) [illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

■ BARLEY LIFFE (£ per tonne) [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]

■ POTATOES LIFFE (£/tonne) [illegible]

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Dec	1517	-1	-	-	-	304
Jan	1435	-3	1436	1435	37	1,720
Feb	1399	-11	1415	1410	14	374
Apr	1470	-	-	-	-	855
Jul	1208	-	-	-	-	423
Oct	1323	-	-	-	-	100
Total					[illegible]	[illegible]

	Close	Prev
BFI	1517	1523

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne) [illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) [illegible]

■ COCOA (ICCO) (SDR's/tonne) [illegible]

■ COFFEE LIFFE ($/tonne) [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

■ COFFEE (ICO) (US cents/pound) [illegible]

■ WHITE SUGAR LIFFE ($/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	82.40	-0.55	84.50	82.30	1,214	6,683
Mar	85.85	-0.35	88.70	85.75	3,462	15,830
May	88.50	-	91.00	88.50	995	3,861
Jul	92.80	+0.25	93.10	92.75	168	892
Sep	96.00	+0.20	96.05	95.85	19	285
Nov	97.75	+0.75	98.75	98.75	2	78
Total					-	27,473

Spices
The world exportable production of pepper has fallen to a level of about 100,000 tonnes, below expected demand about 145,000 tonnes, Man Producten reports. Worldwide carryover stocks have been reduced to minimum levels. Black pepper, which has exportable production of about 80,000 tonnes, has demand of 115,000 tonnes, while white pepper supplies are estimated about 25,000 tonnes against a demand of 30,000 tonnes. Tightening in the supply is already reflected by the price increase of 30% for black pepper during 1996. World supply and demand situation has shown deficits for number of years and there are parallels with the position in 80's, when prices increased to $5,000 for black and $7,000 for white, compared with current prices of $2,600 and $4,500.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Dec 24	Dec 23	month ago	year ago
1874.2	1871.8	1863.1	2097.1

■ CRB Futures (Base: 1967 = 100)

Dec 23	Dec 20	month ago	year ago
243.18	245.70		

■ GSCI Spot (Base: 1970 = 100)

Dec 23	Dec 20	month ago	year ago
225.36	224.05	218.26	202.30

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs) [illegible]

■ LEAN HOGS CME (40,000lbs; cents/lbs) [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs) [illegible]

LONDON TRADED OPTIONS

Strike price $ tonne – Calls – – Puts –

■ ALUMINIUM (99.7%) LME [illegible]

■ COPPER (Grade A) LME [illegible]

■ COFFEE LIFFE [illegible]

■ COCOA LIFFE [illegible]

■ BRENT CRUDE IPE [illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) [illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne) [illegible]

■ NATURAL GAS (Pence/therm) [illegible]

■ OTHER [illegible]

JOTTER PAD

CROSSWORD

No.9,259 Set by GALAPAGOS

ACROSS
1 Characters in European Community alleged to make a bold showing (11)
7 Remove stone, leaving a hole (3)
9 Hiding in Milan, next to join (5)
10 Might his habits upset one customer? (9)
11 Takes too much notice of test requirements (9)
12 The Italian sea obscured middle way (5)
13 A gender reassignment led to discord (7)
15 Slow bowling pops back (4)
18 Oxford banker is accepting Italian's confirmation (4)
20 Study fish's comfort (7)
23 Act 1 set in industrial city (5)
24 Scruffy desert rat began again (9)
26 Noticing return of volunteers I've taken in mobile home (9)
27 Boarding or taking in dog (5)
28 Sergeant's first in charge, as written (3)
29 Try to score in The Oval? Quite the reverse for this light-hearted race (3,3,5)

DOWN
1 Being inclined to reject help, muddle along (8)
2 Gather against the margin (8)
3 Light in Rome or Egyptian city (5)
4 Called after union member once, in a state of agitation (7)
5 Provides support, like nuns, without hesitation (7)
6 Bird has tail tweaked about mimicry (9)
7 Fastidious beginners in psychotherapy accept return of master (6)
8 Called time before last two finished (6)
14 New EEC sonar repositioned to produce echo (9)
16 Study steps to delay settlement (8)
17 Tangled cord seen, outside broadcast material (8)
19 Growing grass around woven rug (7)
20 Move cretins around reservoir (7)
21 Hurries cook at mess (6)
22 Arousing breathless brave, grips handle of tomahawk (6)
25 Peaks with points (5)

Solution 9,258

HORNPIPE OCTAVE
MADRIGAL TRIPLE
ABRASION FLARES
MOUTHORGAN
CONCERTINA
UNISON SONATINA
LAHORE DIAPASON
TENDER ENGENDER

COMPANIES AND FINANCE

US inflation-linked bonds delayed

By Tracy Corrigan in New York

The US Treasury Department has postponed the launch of its first inflation-linked bonds, which had been expected in mid-January, and has yet to set a new date.

"We haven't finalised the terms and conditions yet," said Mr Jon Murchison, a Treasury spokesman. "Our focus has been to do it right rather than do it fast."

Mr Murchison said the move was not connected to the recent controversy over US inflation data.

A month ago, a panel of economists appointed by Congress found that the US consumer price index overstates inflation by more than one percentage point annually, and recommended changing the way it is constructed.

Any such change would affect returns on the new bonds, which are to be pegged to the CPI.

Uncertainty about the impact of such changes could deter investors already struggling to understand a novel product, according to some analysts.

Government bonds linked to the inflation index already exist in a number of other markets, most notably in the UK, but are a new concept in the US.

In recent weeks, some traders are believed to have asked for a delay to the launch of index-linked bonds in the US, in order to have more time to prepare their trading systems for handling index-linked products.

Mr Murchison said that the delay should not be interpreted as a lack of enthusiasm for the new product.

"Folks should stay tuned," he said. "We will be getting the circular out as soon as we have completed it and Secretary Rubin [the US Treasury Secretary] is satisfied we have done a thorough job." But he declined to specify when that might be.

However, Mr Murchison said that to make the January launch deadline, which had never been made official, an offering circular would have had to be issued about now to give investors enough time to study it.

The absence of many investors during the holiday season was an additional reason for postponing the launch, he added.

UOB plans Malaysian merger

United Overseas Bank of Singapore is to merge its two Malaysian subsidiaries, Chung Khiaw Bank (Malaysia) and United Overseas Bank (Malaysia), by the end of the first quarter of 1997, Reuter reports from Singapore.

The merger, designed to boost UOB's growth in the Malaysian market, would create the 11th largest bank in terms of assets, loans and deposits, UOB said.

Total assets of the merged bank on June 30 1996 would have been M$10.3bn (US$4.12bn) and shareholders' funds M$839m.

Mr Wee Cho Yaw, UOB chairman, said that the enlarged institution would be the most profitable foreign-owned bank in Malaysia.

After consolidation, the bank aims to place new share issues in the Malaysian market through initial public offerings, and expand stockbroking activities.

It also announced a stockbroking joint venture with Malaysian financial services firm Affin, which said it would have a 55 per cent interest in the venture.

Boardroom changes at Thai Airways

By William Barnes in Bangkok

A new board of directors has been installed at Thai Airways International, the national carrier struggling to regain competitiveness.

Mr Mahidol Chantrangkurn was elected chairman after a shareholders' meeting on Christmas Eve. Mr Mahidol, the most senior civil servant in the transport ministry, said he was only told of his nomination 24 hours earlier.

Nine of the 15 board members were re-elected and the Royal Thai Air Force was given three seats, including a deputy chairmanship.

The board changes were greeted with some scepticism by analysts. "The potential is there but whenever they make changes it doesn't really come through in the bottom line," said Mr Sanyalaksna Manibhandu, of brokers ING Barings.

The airline's performance has been blunted in recent years by lacklustre management and the involvement of the air force. Joint control by the transport and finance ministries – which together hold 93 per cent of the company – has also held back reform.

The carrier recently reported revenues up by 6.6 per cent in the year to end-September to Bt65.4bn ($2.55bn) – the slowest growth rate for three years. The main culprit was freight revenue, which has not expanded since 1995.

Slowly rising revenues have been squeezed by an 8.05 per cent climb in operating costs, particularly an 18.98 per cent increase in flight operation costs, a 13.76 per cent increase in passenger services costs, and a 14.76 per cent rise in administration expenses. The airline blamed rising fuel and catering charges for high operational and passenger costs, but has been unable to explain why administrative costs have risen so much.

Gross operating margins slipped to 8.56 per cent, after two years above 9 per cent, which caused net profits to rise just 4.55 per cent in 1996 to Bt3.38bn, around 20 per cent below the consensus of analysts' forecasts.

● Thai Telephone and Telecommunication is to issue 625m new shares to raise Bt6bn to support new diversification projects, Reuter reports.

It said 375m shares would be offered to existing shareholders at the rate of one new share for two old shares held, and 250m shares would be placed privately at not less than 90 per cent of the market price.

Uzbekistan venture for ABN Amro

By George Graham, Banking Correspondent

ABN Amro, which has been expanding rapidly in eastern Europe and the former Soviet Union, has started operations in Uzbekistan.

The Dutch banking group has received a licence from the Uzbek central bank for ABN Amro Bank NB Uzbekistan, a 50 per cent-owned joint venture.

ABN Amro's main partner is National Bank of Uzbekistan, the country's leading bank, with 30 per cent. Two multilateral development agencies, the European Bank for Reconstruction and Development and the International Finance Corporation, hold 10 per cent each.

The new bank aims to provide a full range of banking services, making use of ABN Amro's 1,700 branches in 70 countries. But it has started operations at an inauspicious moment, just one week after the International Monetary Fund said it had suspended disbursements of a $180m standby loan to Uzbekistan because of the government's failure to reach agreed inflation targets and because of its re-imposition of tight foreign exchange controls.

ABN Amro has been one of the most active international banks in central Asia. It already has a banking subsidiary in neighbouring Kazakhstan, for whose government it managed a $200m eurobond issue earlier this month.

NBU and the EBRD are also partners in UzDaewoo Bank, a recently announced joint venture with Daewoo Securities, part of South Korea's Daewoo group.

Texaco in $600m chemicals disposal

By Tracy Corrigan

Texaco has reached an agreement to sell the remainder of its chemicals business to Huntsman Corporation, the privately held US chemicals company, for approximately $600m.

The deal is expected to close in the first quarter of 1997, Texaco said.

The divestment of its propylene oxide and methyl tertiary butyl ether business "is the last major step in the sale of Texaco's chemical business and is in keeping with our plans to focus on our core oil and gas business," said Mr Peter Bijur, Texaco chairman and chief executive.

"Huntsman Corporation will continue to be both a customer and a supplier to Texaco," he added.

The chemicals division's manufacturing site at Port Neches, Texas, has been operated for Texaco by Huntsman since it opened in August 1994.

It has an annual production capacity of about 400m lbs of propylene oxide, a petrochemical used in home furnishings, construction and surfactants.

The site also produces about 15,000 barrels a day of methyl tertiary butyl ether, an additive that makes gasoline burn more cleanly and which is used to help meet the requirements of the US Clean Air Act.

Huntsman uses propylene oxide for the production of its speciality amines and surfactants.

As part of the agreement, Huntsman will have the right to license the manufacturing technology associated with these products.

Firmer dollar underpins US Treasuries

MARKETS REPORT

By Richard Waters in New York and Richard Lapper in London

A firmer dollar on the foreign exchanges provided some support to Treasury bond prices during a quiet morning's trading yesterday.

By midday, with the dollar standing at around Y114.8, bonds were slightly higher across the yield spectrum. The dollar's rise, and a fall in the value of financial assets in Japan, contributed to confidence that the recent flow of Japanese capital into US bonds would continue.

The benchmark 30-year bond was $\frac{1}{16}$ higher at 99, to yield 6.574 per cent, while two-year notes rose $\frac{1}{32}$ to 99¾, yielding 5.817 per cent.

The Treasury market also drew comfort from reports from retailers that the Christmas shopping season had been less active than it had seemed likely earlier in the month. After a bouyant start, retail sales have apparently moderated in recent days.

LJR Redbook Research reported on December 24 that, for the most recent week, the stores it surveyed had registered a 0.3 per cent decline in sales from the previous week. Another survey of retailers suggested an increase of 1.3 per cent.

On Christmas Eve, most European bond prices closed marginally higher in thin trading.

On Liffe, where the market closed at midday, the March long UK gilt gained ¼, to settle at 110$\frac{25}{32}$, while the March 10-year bund future gained 0.07, to settle at 100.72. Only 6,174 long gilt contracts were exchanged, while volume in the bund contract was even lower at 3,622.

The Frankfurt market was closed.

The March 10-year Italian BTP future lost some ground, closing about one-fifth of a point down at 128.30.

Analysts said traders were concerned about the lack of a resolution in talks between metalworkers and their employers. In particular, there were fears that the dispute could delay a long-expected cut in interest rates by the Bank of Italy.

In the euromarkets, the highlight of the day was a Y40bn issue in maturities between three and 10 years for Finmeccanica, the state-controlled Italian engineering group.

GE Capital purchase

GE Capital, a subsidiary of General Electric of the US, said it had bought a 7 per cent equity stake in Indonesia's Bank Bira, Reuter reports from Jakarta.

Mr Mark Norbom, Indonesian country manager for GE Capital, made the announcement at a news conference held by Bank Bira in Jakarta.

Mr Parveen Gandhi, corporate financial adviser at Bank Bira, estimated 1996 net profit for the bank at Rp60bn ($25m) and forecast 1997 growth at 25 per cent. Last year's net profit was Rp30.34bn.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS (Dec 24)

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.750	11/06	95.2200	+0.070	7.44	7.49	7.08
Austria		5.875	07/06	0.0000	–	0.00	5.96	5.93
Belgium		7.000	05/06	107.6900	+0.040	5.90	6.00	6.00
Canada *		7.000	12/06	104.5500	+0.100	6.37	6.64	6.13
Denmark		8.000	03/06	0.0000	–	0.00	6.70	6.78
France	BTAN	5.500	10/01	103.5623	–	4.65	4.71	4.88
	OAT	6.500	10/06	106.3300	+0.030	5.78	5.86	5.89
Germany Bund		6.250	04/06	103.1900	+0.060	5.79	5.92	5.82
Ireland		8.000	08/06	108.8800	+0.080	6.71	6.79	6.84
Italy		9.500	02/06	0.0000	–	0.00†	7.44	7.59
Japan	No 143	6.300	09/01	121.7440	–0.260	1.40	1.39	1.57
	No 182	3.000	09/05	104.2184	–0.420	2.42	2.40	2.67
Netherlands		8.500	06/06	119.6500	+0.080	5.74	5.84	5.81
Portugal		9.500	02/06	116.6500	+0.050	6.95	7.02	7.18
Spain		8.800	04/06	111.8900	–0.170	7.00	7.07	7.28
Sweden		8.000	08/07	0.0000	–	0.00	6.90	7.10
UK Gilts		8.000	12/00	102–25	+6/32	7.18	7.19	7.21
		7.500	12/06	99–26	+19/32	7.52	7.65	7.59
		9.000	10/08	110–26	+24/32	7.59	7.75	7.67
US Treasury *		6.500	10/06	101–05	–	6.35	6.33	6.14
		6.500	11/26	98–27	+1/32	6.59	6.58	6.42
ECU (French Govt)		7.000	04/06	105.1400	+0.080	6.11	6.22	6.24

London closing, *New York closing. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest / Treasury Bills and Bond Yields

		One month	-	Two year	5.89
Prime rate	8¼	Two month	-	Three year	5.96
Broker loan rate	7	Three month	5.11	Five year	6.13
Fed.funds	5⅜	Six month	5.26	10-year	6.34
Fed.funds at intervention	-	One year	5.47	30-year	6.59

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	128.90	129.00	+0.18	129.00	128.88	8,651	122,143
Jun	127.60	127.70	+0.18	127.62	127.56	12	8,896
Sep	125.60	125.70	+0.18	125.60	125.60	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Puts Jan	Puts Feb	Puts Mar
126	3.00	3.04	3.19	-	-	-
127	2.00	2.12	2.35	-	-	0.01
128	1.00	1.32	1.61	-	-	0.04
129	-	-	1.00	-	0.01	0.09
130	-	-	[illegible]	-	0.05	0.20

Est. vol. total, Calls 5,879 Puts 3,468. Previous day's open int., Calls 156,088 Puts 155,164.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.65	100.72	+0.07	100.74	100.58	3622	220320
Jun		99.83	+0.07			0	249

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
10050	0.67	0.96	0.72	1.09	0.45	0.74	1.39	1.76
10100	0.40	0.69	0.54	0.89	0.68	0.96	1.71	2.06
10150	0.22	0.48	0.39	0.71	1.00	1.20	2.05	2.35

Est. vol. total, Calls 121 Puts 70. Previous day's open int., Calls 136180 Puts 123661

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	128.35	128.30	-0.20	128.49	127.95	2672	66349
Jun		127.62	-0.20			0	1300

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
12800	1.78	2.56	1.48	2.74
12850	1.53	2.33	1.73	3.01
12900	1.29	2.11	1.99	3.29

Est. vol. total, Calls 1 Puts 0. Previous day's open int., Calls 108803 Puts 78487

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.80	111.55	–0.10	111.89	111.47	6,350	78,143
Jun	–	111.01	–	–	–	–	–

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110-22	110-27	+0-04	110-22	110-18	97	3261
Mar	109-28	110-00	+0-08	110-00	109-22	6174	131473

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
110	0-53	1-17	1-22	1-49	0-53	1-17	2-02	2-29
111	0-36	0-56	0-61	1-24	1-36	1-56	2-41	3-04
112	0-16	0-34	0-42	1-03	2-16	2-34	3-22	3-47

Est. vol. total, Calls 318 Puts 0. Previous day's open int., Calls 21102 Puts 16684

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	95.58	95.64	+0.14	95.64	95.58	31	6,034

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	113–17	113–13	–0–01	113–20	113–13	85,314	431,339
Jun	–	113–00	–	113–03	112–31	95	15,424
Sep	–	111–30	–	–	–	–	6,118

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	125.56			125.67	125.56	331	n/a
Jun						0	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Tue Dec 24	Day's change %	Mon Dec 23	Accrued interest	xd adj. ytd		Low coupon yield Dec 24	Dec 23	Yr. ago	Medium coupon yield Dec 24	Dec 23	Yr. ago	High coupon yield Dec 24	Dec 23	Yr. ago
1 Up to 5 years (21)	121.03	0.10	120.90	2.82	9.44	5 yrs	7.24	7.27	6.93	7.31	7.34	6.94	7.36	7.38	7.01
2 5-15 years (19)	149.41	0.25	149.02	2.39	11.68	15 yrs	7.65	7.69	7.68	7.62	7.64	7.73	7.57	7.63	7.80
3 Over 15 years (7)	170.44	0.27	169.97	3.76	11.85	20 yrs	7.72	7.75	7.77	7.65	7.67	7.79	7.57	7.64	7.85
4 Irredeemables (6)	194.25	0.96	192.41	2.03	13.71	Irred.†	7.78	7.84	7.86						
5 All stocks (53)	144.36	0.21	144.06	2.78	10.97										

Index-linked	Tue Dec 24	Day's change %	Mon Dec 23	Accrued interest	xd adj. ytd		Inflation 5% Dec 24	Dec 23	Yr. ago	Inflation 10% Dec 24	Dec 23	Yr. ago
6 Up to 5 years (2)	203.62	0.22	203.17	1.40	5.28	Up to 5 yrs	3.16	3.19	2.51	2.46	2.48	1.26
7 Over 5 years (10)	195.76	0.41	194.96	1.76	4.71	Over 5 yrs	3.54	3.56	3.52	3.33	3.35	3.31
8 All stocks (12)	195.53	0.39	194.77	1.71	4.69							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Dec 24	Dec 23	Dec 20	Dec 19	Dec 18	Yr ago	High*	Low*
Govt. Secs. (UK)	94.76	94.42	94.31	94.03	93.81	95.42	96.34	91.59
Fixed Interest	116.64	116.41	116.39	116.17	116.10	114.23	117.82	110.74

Gilt Edged Activity Indices

	Dec 23	Dec 20	Dec 19	Dec 18	Dec 17
Gilt Edged bargains	62.8	63.7	67.0	88.4	72.9
5-day average	70.6	72.8	76.8	77.7	78.2

 * for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas 13¼pc 1997‡‡	13.18	5.98	100½	–	107$\frac{1}{32}$	100$\frac{13}{32}$
Exch 10½pc 1997	10.44	6.09	100$\frac{9}{16}$	–$\frac{1}{16}$	107$\frac{1}{8}$	100$\frac{1}{2}$
Treas Cnv 7pc 1997‡‡	6.96	6.45	100$\frac{5}{8}$	–	101$\frac{13}{32}$	100$\frac{1}{8}$
Treas 8¾pc 1997‡‡	8.62	6.43	101½	–	107$\frac{13}{32}$	101½
Exch 15pc 1997	14.04	6.47	106$\frac{13}{16}$	–$\frac{1}{16}$	114⅝	102$\frac{13}{16}$
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Treas 7½pc 2006‡‡	7.50	7.50	99$\frac{31}{32}$	+$\frac{1}{4}$	101$\frac{13}{32}$	94$\frac{13}{32}$
Treas 7¾pc 2006‡‡	7.63	7.51	101$\frac{15}{32}$	+$\frac{1}{4}$	103¼	96$\frac{5}{8}$
Treas 8pc 2002-6‡‡	7.83	7.46	102$\frac{1}{8}$	+$\frac{1}{4}$	104$\frac{13}{32}$	97⅝
Treas 11¾pc 2003-7	9.74	7.43	120$\frac{11}{16}$	+$\frac{1}{4}$	125$\frac{1}{8}$	115¼
Treas 8½pc 2007‡‡	7.98	7.54	106$\frac{13}{32}$	+$\frac{1}{4}$	108$\frac{13}{32}$	101$\frac{1}{8}$
[illegible]						

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
4⅜pc '98‡‡	(135.6)	0.07	2.13	113$\frac{15}{32}$	–	114⅞	111$\frac{1}{8}$
2½pc '01	(78.3)	2.63	3.22	185¼	+$\frac{1}{4}$	185$\frac{13}{32}$	176¼
2½pc '03	(78.8)	2.85	3.30	181$\frac{13}{32}$	+¼	182$\frac{1}{8}$	171$\frac{13}{16}$
4⅜pc '04‡‡	(135.6)	2.82	3.31	118⅜	+$\frac{1}{4}$	119	112$\frac{11}{16}$
2pc '06	(69.5)	3.09	3.39	191$\frac{1}{8}$	+$\frac{1}{4}$	192$\frac{1}{8}$	179$\frac{13}{16}$
2½pc '09	(78.8)	3.20	3.45	172	+$\frac{1}{4}$	173$\frac{1}{8}$	161$\frac{1}{8}$
[illegible]							

[illegible]

Other Fixed Interest

[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 27.12.96 Pool purchase price £/MWh	Final Prices for Trading on 23.11.96 Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.85	11.70	11.70
0100	17.39	17.59	19.41
0130	18.20	17.53	19.41
[illegible]			

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

LIFE ASSURANCE - Cont.

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda

UK: Pvt Advisers 0800 414181 — Jersey 01534 71696

Private Clients 0800 414161 — 00 352 250404236

From O'seas (44) 1732 777377 — Hong Kong (852) 848 1000

	Init Notes Chge	Selling Price	Buying Price	+ or -	Yield Grs
A$ Accum		A$18.320		+0.002	5.00
ASch Accum		Sch249.84		+0.02	2.10
C$ Accum		C$18.779		+0.001	2.10
DM Accum		DM38.452		—	1.90
DFl Accum		DFl31.757		+0.002	1.70
ECU Accum		Ecu13.565		—	3.00
FFr Accum		FFr87.308		+0.004	2.20
HK$ Accum		HK$122.19		+0.02	4.00
Lire Accum		L23965		+4	6.40
NZ$ Accum		NZ$40.483		+0.007	7.00
NKr Accum		NKr113.18		+0.01	3.60
S$ Accum		S$25.144		+0.001	2.10
SPta Accum		Pta2763.9		—	5.50
£ Accum		£13.244		+0.002	4.90
SKr Accum		SKr121.84		—	3.00
SFr Accum		SFr29.415		—	0.50
US$ Accum		$23.705		+0.003	4.50
Yen Accum		Y2890.9		—	0.10

Prices for dealing December 24

Jupiter Tyndall (Bermuda) Ltd

PO Box HM1256, Hamilton, Bermuda — 001 809 292 2790

Jupiter Tyndall World Umbrella Fund Ltd

	Selling Price	Buying Price	+ or -	Yield Grs
Eurobond	$16.34	17.17	—	3.29
Money	$14.29	15.01	—	2.50
Mortgage	C$24.35	25.62	+0.02	7.12
North American	$14.69	15.43	+0.09	0.00
Overseas	$17.28	18.16	-0.09	0.00

Prudential Fund Managers (Guernsey) Ltd

Po Box 81, St Peter Port Guernsey — 01481 707000

Prudential Money Funds Ltd

	Init Notes Chge	Selling Price	Buying Price	+ or -	Yield Grs
Managed Sterling		147.8	147.7	—	4.82
Managed Dollar	5	$14.29	14.29	—	4.79
Dollar Deposit		$10.05	10.06	-0.02	3.73

Rothschild Asset Management (CI) Ltd

PO Box 242, St Peter Port, Guernsey — 01481 715700

	Init Notes Chge	Selling Price	Buying Price	+ or -	Yield Grs
Five Arrows Lzco Am Ent	5	$13.98	15.00	—	0

Five Arrows International Bond Funds

	Init Notes Chge	Selling Price	Buying Price	+ or -	Yield Grs
FAIB £ Bond	$3\frac{1}{4}$	£21.62	22.61	+0.03	5.04
FAIB US$ Bond	$3\frac{1}{4}$	$38.27	34.38	+0.01	5.77
FAIB £ Global	$3\frac{1}{4}$	£17.17	17.74	-0.02	6.14
FAIB US$ Global	$3\frac{1}{4}$	$31.25	32.32	+0.01	4.71

Five Arrows International Reserves Ltd

	Selling Price	+ or -	Yield Grs
FAIRL £	£45.482	+0.005	4.98
FAIRL A$	A$50.852	+0.006	5.04
FAIRL C$	C$86.737	+0.005	1.88
FAIRL DFl	DFl100.795	+0.005	1.83
FAIRL DKr	DKr400.23	+0.030	2.42
FAIRL DM	DM88.335	+0.018	2.24
FAIRL ECU	Ecu32.102	+0.008	3.08
FAIRL BFr	BFr2048.84	+0.100	1.88
FAIRL FM F	FM300.845	+0.016	1.82
FAIRL FFr	FFr447.51	+0.027	2.25
FAIRL HK$	HK$182.78	+0.020	3.59
FAIRL Lire	L145848	+23.0	6.64
FAIRL NZ$	NZ$47.078	+0.068	6.63
FAIRL NKr F	NKr401.725	+0.029	2.78
FAIRL S$	S$97.467	+0.006	2.02
FAIRL R F	R308.383	+0.118	14.74
FAIRL Pta	Pta4533.01	+1.95	5.48
FAIRL SF	SFr77.369	+0.004	1.12
FAIRL SKr	SKr204.03	+0.050	3.04
FAIRL U.S.$	$63.388	+0.009	4.58
FAIRL Yen	Y10714.06	—	0.00
FAIRL Man £	£28.251	-0.011	4.40
FAIRL Man DM	DM65.885	+0.036	1.85
FAIRL Man $	$31.582	+0.007	3.70
FAIRL Man Int	$21.547	-0.020	3.04

Five Arrows Currency Fund Ltd

	Selling Price	+ or -	Yield Grs
FACFL £	£10.074d	+0.001	4.74
FACFL A$	A$15.124d	+0.002	4.68
FACFL C$	C$20.036d	+0.001	1.86
FACFL DFl	DFl30.127d	+0.002	1.74
FACFL DKr	DKr130.58d	+0.010	2.42
FACFL DM	DM40.121d	+0.007	2.06

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

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OTHER OFFSHORE FUNDS

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

■ D-MARK FUTURES (IMM) DM 125,000 per DM

[illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

[illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

Est. vol. total, Calls 0 Puts 1. Previous day's open int., Calls 374861 Puts 222016

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9825	0.15	0.22	0.27	0.26	0.40	0.56
9850	0.07	0.13	0.16	0.42	0.56	0.70

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 5900 Puts 2870

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

[illegible]

■ ONE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

[illegible]

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

[illegible]

■ Pound in New York

Dec 26	--Latest--	-- Prev. close --
£ spot	1.6735	1.6750
1 mth	1.6718	1.6743
3 mth	1.6691	1.6703
1 yr	1.6643	1.6659

■ OTHER CURRENCIES

Dec 26	£	$
Czech Rp	45.6740 - 45.7348	27.3170 - 27.3370
Hungary	270.145 - 270.847	161.570 - 161.770
Iran	[illegible]	[illegible]
Kuwait	0.5014 - 0.5021	0.2990 - 0.3001
Poland	4.7894 - 4.7957	2.8648 - 2.8665
Russia	[illegible]	[illegible]
U.A.E.	6.1382 - 6.1458	3.6700 - 3.6735

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Cyprus Popular Bank	6.00	●Rea Brothers	6.00
Allied Irish Bank (GB)	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	Girobank	6.00	TSB	6.00
Bank of Cyprus	6.00	●Guinness Mahon	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	Habib Bank AG Zurich	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	●Hambros Bank	6.00	Western Trust	6.00
Bank of Scotland	6.00	Heritable & Gen Inv Bk	6.00	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	●Hill Samuel	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00		
●Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00	● Members of London Investment Banking Association	
Citibank NA	6.00	Julian Hodge Bank	6.00	* In administration	
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
		NatWestminster	6.00		

FT GUIDE TO WORLD CURRENCIES

[illegible]

LEGAL NOTICES

ANNOUNCEMENT

Assembled on 23rd October 1996, the French Insurance Control Commission,

- Considering that the technical reserves deficiency at 1st January 1995 was greater than its Equity at this date.
- Considering that provisional accounts provided by CER PARIS on 25th June 1996 did not conform to the Insurance Department's Injunction dated 19th June 1996, requiring it to calculate its assets and liabilities in accordance with Article L 342-1 of the Insurance code.
- Considering that the Annual statement approved by the General Assembly on October 16th 1996 does not either fully comply with such article, particularly with regard to the liabilities shown which do not follow the rules of prudence, and do not reflect a fair image of the financial situation of the Company.
- Considering that the Company is not in a position to respond to all of its contractual liabilities at the time this decision is rendered.
- Decides, to reprimand CER PARIS formerly "Compagnie Européenne de Réassurances".

LONDON STOCK EXCHANGE

Pre-Christmas run sees Footsie at new high

MARKETS REPORT

By Steve Thompson, UK Stock Market Editor

The UK equity market finished its pre-Christmas run in splendid fashion with the FTSE 100 index standing at another new closing high.

And there was further good news for dealers, with turnover levels again surprisingly strong given the Christmas period.

Footsie ended the half-day session 5.3 firmer at 4,092.5, its fifth consecutive gain for a rise of 112.9 points over the period.

Other leading indices were equally buoyant, the FTSE 250 closing 5.9 up at 4,460.5, still around 100 points below its all-time closing high. The SmallCap index edged up 1.4 to 2,165.6.

A slightly edgy performance by gilts at the opening caused some unease in equities. Gilts slipped around 5 ticks at one point, following details of the trade figures for October and November.

October's £454m trade deficit was well received but the market showed some concern over the higher-than-expected £638m deficit for non-EU trade.

Gilts picked up well just before the close, however, finishing the day some 3 ticks higher reflecting a relatively steady performance by US Treasury bonds.

Marketmakers were impressed by the appearance of institutional buyers and noted that the Northern Electric bid saga had injected an element of uncertainty and excitement.

Prudential Corporation's move to acquire Northern shares kept that bid pot boiling; during the session, it was revealed that the Pru had acquired a significant amount of Northern stock. The news that CalEnergy's bid had nevertheless proved successful came after the market close.

Sunderland football club made a sparkling seasonal debut, with the shares kicking off at a whopping 25 per cent premium to its issue price, rounding off an excellent year for football club shares.

These have provided some of the most spectacular share price performances, with Manchester United, which began the year trading at just below the 200p mark, more than trebling that figure by Tuesday's close.

The market is factoring in a potentially massive upturn in revenue from the potential for pay-per-view television audiences. A huge injection of money from satellite TV has transformed the fortunes of football clubs this year.

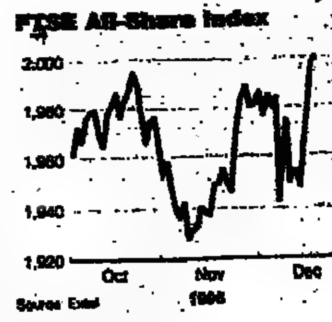
Other bid winners included British-Borneo, whose shares have surged since the takeover bid for Clyde Petroleum from Gulf Canada last week, as dealers rated the company as the sector's next potential takeover target.

Dealers said the general feeling in the equity market for next year remained positive, with many expecting a continuation of takeover activity. The financial sector remains a specific area of interest, with one of the two Scottish banks seen as vulnerable and a composite insurance merger a distinct possibility.

Mr Richard Jeffrey, Charterhouse economist, said: "The market looks set for possibly 10 per cent upside in the New Year".

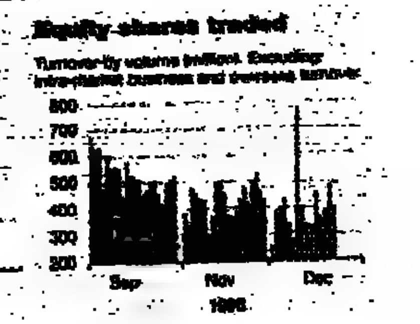
Turnover on Tuesday was 368.2m shares. Customer business on Monday was worth £890.3m.

FTSE All-Share index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4092.5	+5.3	FT 30	2796.8	-0.5
FTSE 250	4460.5	+5.9	FTSE Non-Fins p/e	18.03	18.00
FTSE 350	2030.7	+2.6	FTSE 100 Fut Mar	4091.0	n/c
FTSE All-Share	2000.54	+2.46	10 yr Gilt yield	7.54	7.55
FTSE All-Share yield	3.77	3.78	Long gilt/equity yld ratio	2.01	2.02

Best performing sectors

1 Telecommunications +0.6
2 Extractive Industries +0.6
3 Oil Exploration & Prod +0.6
4 Distributors +0.5
5 Other Financial +0.5

Worst performing sectors

1 Textiles & Apparel -0.3
2 Breweries: Pubs -0.2
3 Retailers: Food -0.2
4 Diversified Industrials -0.2
5 Gas Distribution -0.2

EQUITY FUTURES AND OPTIONS TRADING

The absence of many dealers in a shortened pre-Christmas session left stock index futures drifting lower in very thin trading, *writes Joel Kibazo*.

March traded in a tight 10 point range and having opened at 4,088, rose to a high of 4,091, then touched a low of 4,081 before ending at 4,083.

While few dealers had expected much trading, the lack of activity was still marked. One trader said: "There is simply nothing going on. There is no liquidity. The little action we have seen involved a few institutions sorting out positions before Christmas."

In traded options, Marks & Spencer proved as popular in pit trading as with last-minute Christmas shoppers, and was by far the busiest stock option. Total volume in Marks & Spencer was 754 lots, with the January 500 calls reported to have been the busiest series.

As in futures, activity in the sector was extremely light, with many dealers also having decided to stay away from the half-day session.

Total volume was thus a mere 6,099 contracts, with 5,223 calls dealt against 876 puts, a sign of the positive tone in the overall market.

Among index options, most of the trading was conducted in the FTSE 100 option, which saw business of 3,945 contracts while 263 contracts were dealt in the European-style FTSE 100 option.

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4088.0	4083.0	-8.0	4091.0	4081.0	1338	53415
Jun		4105.0	-8.0			0	2594

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4514.0	+5.0			0	4820

■ FTSE 100 INDEX OPTION (LIFFE) (*4093) £10 per full index point

	3900 C	3900 P	3950 C	3950 P	4000 C	4000 P	4050 C	4050 P	4100 C	4100 P	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P
Jan	193	7	143	12	98	19½	57	31½	29	54	11	86½	3½	132	1	182
Feb	212	21½	170½	30	131½	41	97	56½	68½	77	41½	103½	24½	139	12½	182
Mar	222½	40	184	51½	148½	66	115½	83½	87½	106	66	132	43½	163½	29	200
Apr	232½	51½	195½	64	164½	81½	136	99½	108	124½	84	160	64½	181	46	216
Jun†	273½	77			208½	111			169	151½			180½	202		

Calls 3,539 Puts 398

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 111 Puts 150 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

[illegible]

■ FTSE Actuaries Industry Sectors

[illegible]

■ Hourly movements

[illegible]

■ FTSE 350 Industry baskets

[illegible]

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FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Tuesday

	Vol. 000s	Closing price	Day's change
3i†	21	485½	
ASDA Group†	1,700	123	-½
Abbey National†	622	756½	+½
Albert Fisher	421	40¼	-½
Allied Domecq†	3,000	450	+10½
Anglian Water	184	566	-½
Argos†	15	773½	

[illegible]

	Vol. 000s	Closing price	Day's change
Yorkshire Water	35	694	
Zeneca†	420	1654	+6

Based on trading volume for a selection of major securities dealt through the SEAQ system Tuesday until 12.30pm. † indicates an FTSE 100 index constituent. All trades are rounded. Source: Extel, part of FT Information.

Northern support from Pru

Northern Electric came back to the market with quiet trading belying an increasingly byzantine and cut-throat bid battle.

Although Northern's appeal against the extension of CalEnergy's bid deadline was rejected, there was still no obvious winner as the market approached its 12.30pm close.

Technically, CalEnergy had acquired more than the 50 per cent needed to secure the regional electricity company. But it appeared that the Prudential, which has a significant stake in Northern, was trying to encourage some arbitrageurs to withdraw their acceptances.

And it was revealed that the insurer had secured 709,000 shares, which took the its stake up to 12.05 per cent. If the Pru, which believed that CalEnergy undervalued Northern, had been successful, Northern's share price could have dropped by almost 100p.

News that CalEnergy had triumphed, with the backing of 50.3 per cent of Northern shareholders, came after the end of the half-day session. During trading hours, Northern closed 4p weaker at 637p.

British Borneo leapt 56 to 815p, the strongest performance in the FTSE 250 index, as the company announced it had done a deal with Shell Transport.

Borneo has taken on the rights to Shell's Leo field in the Gulf of Mexico. It will exploit the field using its own Sea Star drilling technology that makes small deep-water sites economic.

Some analysts had been expecting the news but were nevertheless relieved. Mr Andrew Whittock of ABN Amro Hoare Govett said: "If it works and comes in at 50m barrels – the middle of the range of forecasts – then it's worth 150p on the price." Shell was firmer at 993p.

Sunderland up

Football fever continued with Sunderland scoring an instant goal when stock market dealings in the premiership club began. Placed at 585p, the stock soared to 732½p, with individuals who applied for the minimum of 100 shares seeing an immediate £147.50 profit on their investment.

The club raised around £10.7m net of expenses via the placing and offer for subscription, which was 2.7 times oversubscribed.

Eight football clubs have come to the market - Tottenham Hotspur, Manchester United, Preston North End, Millwall, Chelsea Village, Celtic, Caspian (Leeds) and Loftus Road (QPR). Among the most successful floats has been Manchester United, which has risen from 198p on December 29 last year to 650p.

Flotations are also planned next year by Newcastle United, Birmingham and West Bromwich Albion. Sheffield United and Southampton are both joining the market via reverse takeovers of quoted groups.

BAT Industries received an early boost from a US court ruling that might remove many of the concerns about anti-tobacco litigation. The shares moved forward 3 to 481½p as a Missouri court ruled in its favour by granting its motion to be dismissed from a tobacco suit.

Mr Tim Young of SGST recommended the shares at the morning meeting. He said the judgment "would seem to indicate that BAT is ring-fenced from liability to Brown & Williamson [BAT's tobacco arm].

"This is highly significant. I expect further rulings of this type. And even on a worst case scenario – excluding any benefit at all from Brown & Williamson – the share price should be 520p," he said.

Allied Domecq climbed 10½ to 450p on volume of 2m shares with a big order handled by Lehman Brothers in a thin market pushing up the price.

Bunzl, the UK paper and plastics group, rose 3¼ to 229¼p after the group revealed the sale of its German and Italian fine paper businesses, Wilhelm Seiler and Bunzl Italia, for £61.6m.

Burnfield was steady at 140p. After the market closed Fairey increased its offer for the measuring equipment maker to £57.7m – the equivalent of 168p a share.

Rank hardened 3½ to 422½p on the announcement that its subsidiary, Hard Rock Cafe International, had acquired the operations and licensing rights of Hard Rock Cafe Canada for US$61m.

Thanks to the acquisition, Rank now has 75 Hard Rock Cafes worldwide.

NEW 52 WEEK HIGHS AND LOWS

NEW HIGHS (72).
ALCOHOLIC BEVERAGES (1) Glenmorangie A, BANKS, RETAIL (1) Lloyds TSB, BREWERIES, PUBS & REST (1) Young Brothers Wines, BUILDING & CNSTRN (1) Westbury, BLDG MATLS & MCHTS (1) Hewetson, CHEMICALS (1) Meconic, ENGINEERING (8) Bodycote Intl, British Aerospace, Eurovent, Hadan MacLellan, Sebo Wescol, EXTRACTIVE INDS (3) Cornwall, Cominco, Equatorial, FOOD PRODUCERS (2) Headown, Unilever, HOUSEHOLD GOODS (2) Ethel, Rayon, INSURANCE (3) General Accident, JIS, USF & G, INVESTMENT TRUSTS (9) LEISURE & HOTELS (2) LIFE ASSURANCE (1) Sun Life & Provincial, MEDIA (1) BBB Design, OIL EXPLORATION & PROD (7) British Borneo, Cairn, Central Pacific, Emerald Energy, Expro Intl, Monument, Ranger, OIL, INTEGRATED (1) Exxon, OTHER FINANCIAL (2) Liberty Intl, Provident Financial, PAPER, PACKG & PRNTG (1) Sleggen, PROPERTY (13) Argent, British Land, DO 6pc Cnv Bd, Capital Shop Centres, DO 6¼pc Sub Bd 2006, Chesterfield, Derwent Valley, Development Secs, Frogmore, Quintain, Scottish Metropolitan, Shaftesbury, Smith (J), RETAILERS, FOOD (1) Somerfield, RETAILERS, GENERAL (1) Sotheby's Inc A, SUPPORT SERVS (6) Capita, Delphi, Hogg Robinson, Logica, Panty, Serco, AIM (4) Dawson, Majestic Wine, Surrey Free Inns, UNO, AMERICANS (1) CANADIANS (1).
NEW LOWS (71).
GILTS (1) ALCOHOLIC BEVERAGES (1) Ifom Brewery, BANKS, RETAIL (7) BREWERIES, PUBS & REST (1) Belhaven, BUILDING & CNSTRN (2) Kajima, Vibroplant, CHEMICALS (3) Hickson Intl, Millenium, DISTRIBUTORS (1) Autobars Seven, DIVERSIFIED INDLS (1) Mitsubishi, ELECTRNC & ELECT EQUP (3) ENGINEERING (1) Kobe Steel, EXTRACTIVE INDS (8) HOUSEHOLD GOODS (1) Kenwood Appliances, INSURANCE (1) INVESTMENT TRUSTS (21) INVESTMENT COMPANIES (3) MEDIA (1) Dorling Kindersley, OIL, EXPLORATION & PROD (1) Tracer, OTHER FINANCIAL (1) Dawes Securities, PAPER, PACKG & PRNTG (1) RFC, PROPERTY (1) London Securities, RETAILERS, FOOD (1) Blake Brothers, SUPPORT SERVS (3) Electronic Data Systems, McDonnell Info, Waste Management Intl, TEXTILES & APPAREL (2) Allied Textile, Readicut Intl, TRANSPORT (2) All Nippon Airways, P&O 5½pc Red Pfd, AIM (3) Epic Multimedia, Eurasia, Nell Clark, AMERICANS (1).

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

Calls 5,223 Puts 876 * Underlying security price. Premiums shown are based on settlement prices.

FT GOLD MINES INDEX

[illegible]

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RISES AND FALLS TUESDAY

	Rises	Falls	Same
British Funds	46	6	12
Other Fixed Interest	0	0	10
Mineral Extraction	44	69	73
General Manufacturers	87	80	440
Consumer Goods	24	33	156
Services	84	82	302
Utilities	11	8	19
Financials	58	57	239
Investment Trusts	31	60	464
Others	30	43	61
Totals	421	437	1782

Data based on those companies listed on the London Share Service

TRADITIONAL OPTIONS

Calls: Dicom, Stanford Rook, Signet.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov	Grs yld	P.E net
§70	F.P.	18.6	84½	72½	Advanced Power	80		-	-	-	-
§168	F.P.	38.6	174½	170½	Aquarius	172½		W8.85	2.0	5.0	12.6
-	F.P.	10.2	100	100	Archer Deferred	100		20.8	-	1.0	55.6

[illegible]

RIGHTS OFFERS

[illegible]

FT 30 INDEX

[illegible]

FTSE Actuaries Share Indices — THE EUROPEAN SERIES

[illegible]

TRADEPOINT INVESTMENT EXCHANGE

Daily turnover for 24/12/1996
Volume: 120,000 Value: £770,550

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

US INDICES

■ RATIOS

	Dec 20	Dec 13	Dec 6	Year ago
Dow Jones Ind. Div. Yield	2.04	2.09	2.05	2.31
	Dec 18	Dec 11	Dec 4	Year ago
S & P Ind. Div. yield	1.87	1.85	1.83	1.98
S & P Ind. P/E ratio	22.74	23.04	23.05	18.75

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Hanson	3,812,200	6⅝	—
AT&T	3,155,500	41¾	+1½
Motorola	2,106,300	60⅝	+1½
Seagate	1,821,300	40⅛	+2⅛
Gen Instrum	1,679,800	21¾	−¼
Micron	1,655,000	30⅝	−⅛
Noble Drill	1,583,100	21⅛	+⅜
Kmart	1,485,100	10½	−⅛
EMC Corp	1,467,900	33¼	−⅛
Am Express	1,346,400	59⅝	−2¾

■ TRADING ACTIVITY

● Volume (million)

	Dec 24	Dec 23	Dec 20
New York SE	167.165	343.798	650.085
Amex	10.742	25.031	26.057
NASDAQ	(n)	268.451	642.291
NYSE			
Issues Traded	3,163	3,319	3,357
Rises	1,354	1,728	1,594
Falls	1,048	1,385	948
Unchanged	961	806	815
New Highs	95	129	214
New Lows	16	41	50

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	760.00	763.50	+9.40	763.50	760.00	13,483	182,364
Jun	766.60	769.50	+8.80	769.50	766.60	61	5,427

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	19520.0	19270.0	−260.0	19520.0	18800.0	33,821	212,958
Jun	19400.0	19230.0	−220.0	19400.0	18890.0	154	23,048

Open interest figures for previous day.

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x index)							
Dec	2293.0	2304.0	+8.0	2312.0	2288.0	7,888	20,325
Jan	2297.5	2308.5	+8.0	2314.5	2293.5	3,737	11,129
■ DAX							
Dec	2861.0	2865.0	+12.0	2869.5	2860.0	4,002	—
Mar	2879.0	2877.0	+11.5	2879.0	2874.0	1,110	—

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ OMX							
Dec	1840.00	1840.25	−4.75	1847.50	1840.00	3,965	11,078
Jan	1848.50	1845.75	−3.25	1853.50	1845.75	9,603	26,733
■ SOFFEX							
Jan	3880.0	3879.0	−1.2	3881.0	3866.0	9,066	19,068

‡ Sat Dec 21. Taiwan Weighted Price 6890.49; Korea Comp Ex 680.14. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Dec 23 - 2844.09 +8.55.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO – MOST ACTIVE STOCKS: Thursday, December 26 1996

	Stocks Traded	Closing Prices	Change on day
Yaoham Japan	6.2m	448	+32
Kobe Steel	4.1m	232	−2
Nip Steel	3.7m	339	+4
NKK Corp	3.6m	267	+4
Toyota Motor	3.3m	3260	+20
Tokyo Gas	3.3m	316	+3
Keisei Elec	3.2m	755	−19
Mitsubishi Hvy	3.1m	924	+4
Hitachi	2.9m	1050	+10
Osaka Gas	2.9m	317	—

4 pm close December 26

NEW YORK STOCK EXCHANGE PRICES

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

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- J -

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- K -

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- L -

[illegible]

- M -

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- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

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4 pm close December 26

NYSE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
6 3/8	6 3/8	SchwbA x	0.28	3.2	22	147	8 3/4	8	8 3/4	+1/2
51 1/8	37 3/4	ScherarRP			36	1672	50 5/8	49 3/8	50 3/8	+1
73 1/8	50 1/2	SchrPl	1.32	1.9	21	4872	68 3/8	67 1/4	67 7/8	+3/4
108 1/4	65 3/8	Schlmb x	1.50	1.4	33	2088	106 3/8	105 1/4	105 7/8	+1/2
14 1/2	8 1/8	Schltr x	0.12	1.1	11	436	10 1/8	10	10 1/2	
32 1/4	18 5/8	Schwab(C)	0.20	0.6	28	1409	u32 3/8	31 3/4	32 1/8	+1/4
33 7/8	22 3/4	SchwMaud	0.60	1.9	16	353	31 5/8	31 1/4	31 1/2	
20 3/8	12	SciAtl$	0.06	0.4		973	15 7/8	15 1/4	15 7/8	+5/8
24 7/8	17	Scotsman	0.10	0.4	12	71	23 3/4	23 1/8	23 5/8	-1/8
18 1/8	12 1/2	ScuddrNAsF	0.02	0.2		247	13	12 7/8	12 7/8	
14 3/8	11	ScuddrNEuF	0.05	0.4		209	13 7/8	13 3/4	13 3/4	-1/8
20 3/4	14 3/4	SeaCntA$	0.77	5.0	22	388	15 1/2	15 1/4	15 1/2	
16	15	SeaC1.4625	1.46	9.1		8	15 7/8	15 1/2	16	
42 3/4	18	S'gate			39	8026	41	39 3/4	40 1/4	+1/8
41 1/4	30 7/8	Sagrm	0.66	1.6		1049	40 7/8	40 5/8	40 7/8	+1/4
26	17 1/4	Seagull En			53	741	22 7/8	22 1/2	22 1/2	
44 1/8	28	Sealed Air			26	306	41 1/8	40 7/8	41 1/4	+1/4
59 7/8	38 1/4	SearsR x	0.92	2.0	18	6019	46 3/4	45 1/8	46 1/8	+3/4
21 3/4	17	ScCpSBk$	1.30	6.6	16	327	21 5/8	21 5/8	21 5/8	
13	11 7/8	Seligm Sel x	0.84	6.8		26	12 1/2	12 3/8	12 3/8	
23 3/4	13 5/8	Sensormat	0.22	1.3		2489	17 3/8	17	17 3/8	+1/8
48 1/2	28 1/2	SequaA	0.60	1.5	42	21	40 1/4	39 5/8	40 1/4	+1/8
53 5/8	39	SequaB	0.50	1.0	51	7	49	48 1/2	48 5/8	
31 3/4	19 1/2	SvcCp	0.24	0.8	14	2807	28 5/8	28 3/8	28 1/2	-1/8
26 5/8	19 1/2	SvMstr	0.68	2.6	15	248	25 3/4	25 3/8	25 3/4	+1/4
6 1/2	4 1/4	ServMerch			11	3285	4 7/8	4 5/8	4 3/4	-1/8
72 5/8	28 1/2	SGSThom			14	696	68 5/8	67 7/8	68	+1/2
[illegible]										

- X - Y - Z -

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]										
47 5/8	38 3/4	Xtra Corp	0.72	1.6	17	611	44 5/8	43 3/4	44 1/8	+1/8
25 3/4	20 3/4	Yankee Egy x	1.30	6.0	11	70	21 5/8	21 1/4	21 1/2	
57	43 7/8	York Intl x	0.36	0.7		104	55 1/4	54 3/4	55 1/4	+1/2
4	3	Zapata			58	180	3 5/8	3 1/2	3 1/2	
25 3/4	5 7/8	ZenithE				2416	10 7/8	10 1/2	10 7/8	+1/8
28 7/8	21 1/4	Zenith Nat	1.00	3.8	16	76	27 3/4	27 3/4	27 3/4	+1/4
7 3/4	6 1/2	Zenix Inc x	0.73	10.1		302	u7 1/4	7 1/4	7 1/4	
22 7/8	15 3/4	Zero	0.12	0.6	18	31	20 1/8	19 7/8	19 7/8	-3/8
29	19 1/2	Zurn Ind x	0.40	1.5	15	279	26 1/4	26	26 1/8	
11 1/8	10 1/2	Zweig Fund	1.08	9.9		316	10 7/8	10 3/4	10 7/8	
9	8 1/8	Zweig Totl x	0.84	10.2		805	8 1/4	d8 1/8	8 1/4	

Price data supplied by Telekurs, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

‡ Dealings suspended.

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AMEX PRICES

4 pm close December 26

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close December 26

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

Dow returns to record territory

AMERICAS

US share prices continued their upward march against a background of thin trading, moving into record territory by lunchtime, *writes Richard Waters in New York.*

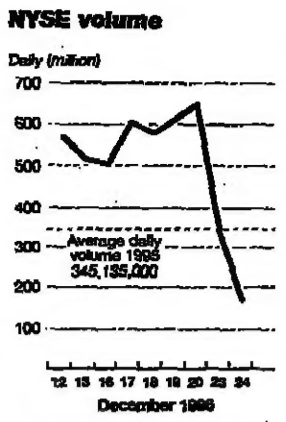
Stocks were lifted by firmness in the currency and bond markets, and the momentum that has now seen the Dow Jones Industrial Average gain nearly 300 points since the beginning of last week.

The DJIA, which had added 33.83 points in a holiday-shortened session on Christmas Eve, gained another 33.06 during the morning. That left the index of leading stocks at 6,555.91 - above the closing record high of 6,547.79 it hit on November 25.

The Standard & Poor's 500 index advanced 3.57, adding to its 4.11 points gain in the previous session to reach 754.60 by lunchtime. The Nasdaq composite, meanwhile, put on 4.25, taking it to 1,291.88.

Among stocks in the DJIA, American Express fell back \$1⅜ yesterday to \$57½, having risen nearly \$2 on Tuesday as rumours continued to circulate that the financial services group might be taken over.

AT&T advanced another \$1¼, adding to a \$1½ gain



from December 24, as the telecommunications company continued to benefit from a rebound in market sentiment after a difficult second half in 1996. At \$42⅞ yesterday lunchtime, AT&T had bounced back some 27 per cent from the low point it reached in early November.

Elswhere, the market averages were bouyed by continued strength in two of the sectors which have recorded the strongest gains during the past year: technology and financials.

Intel rose \$1½ to \$137, while Microsoft added \$⅞ to \$85⅝. Among banks, Citicorp continued to advance strongly, adding \$1⅜ to \$106⅝.

Latin America's big bourses, in Mexico and Brazil, were relatively sluggish after the holiday and it was left to Venezuela, the Argentine and Chile to liven up the morning.

In CARACAS, the IBC index was in record territory for the third successive day, 30.40 higher at 6,474.17 in midsession, with traders already anticipating gains in 1997.

BUENOS AIRES, also in high ground, and apparently unshaken by a general strike, saw the Merval 5.44 better at 647.55; and, in SANTIAGO, the general index, coming off the bottom, was 33.47 higher at 4,906.42.

Paris flirts while Madrid accelerates

EUROPE

The senior bourses which opened yesterday seemed oblivious of Tokyo's concerns, but ready to anticipate New York.

PARIS only flirted with the bulls, a rise of 14.20 to 2,303.75 in the CAC-40 leaving it below its best for the day, in modest turnover of FFr2.37bn.

Peugeot fell FFr11 or 1.8 per cent to FFr593, but brokers said the swing was due to a very illiquid market and, furthermore, that the carmaker had risen previously from FFr582 on December 18 to FFr604 on December 24, after a fall from FFr642 on November 29. Peugeot hit a year low of FFr520 on October 31.

Another loser was the tobacco group, Seita, down FFr3 to FFr217 after a second civil suit was lodged by a lawyer for the family of a smoker who had died of lung cancer.

MADRID, in contrast, accelerated after Wall Street came in strongly. The general index gained 9.05 or 2.1 per cent to close at another all-time high of 440.06.

Equities rose virtually across the board, notable gains including one of Pta290 or 11.9 per cent to Pta2,730 at Amper, the telecoms equipment group which acquired a new president, Mr Juan Perea, only this week. Among the smaller utilities, Fenosa put on Pta85 or 7.4 per cent at Pta1,240, and Sevillana Pta75 or 5.7 per cent at Pta1,385.

ISTANBUL, too, moved onto higher ground, the composite index climbing 2,690.27 or 2.8 per cent to 97,425.62. This was partly fuelled by news that the new year holiday would be extended and settlement delayed.

On Tuesday, ZURICH turned the spotlight on Elektrowatt following Monday's announcement that CS was selling its 44.9 per cent stake in Elektrowatt's industrial side to Siemens for SFr285 a share. Elektrowatt picked up SFr23 to SFr534 as analysts noted that the utility division was to be sold to a German-Swiss electricity consortium for SFr265 per share.

Written and edited by William Cochrane and Michael Morgan

Balance held in S Africa

Johannesburg was stable in Christmas Eve trade, with industrials easing slightly as investors squared positions and golds ended softer on a steady bullion price.

The overall index rose 9.5 at 6,562.1 on gains in mining financials. Industrials lost 10.9 to 7,783.5 and golds shed 5.6 to 1,488.

Relatively large trades were seen in De Beers, up 150 cents at R135, and Anglos, 750 cents higher at 255, but this was attributed to window dressing.

Tokyo in turmoil as yen declines again

ASIA PACIFIC

The yen fell to a 44-month low against the dollar and TOKYO took its volatility into a third consecutive day, shedding 3.7 per cent at one point, *writes Peter John.*

Buying by investment trusts helped the Nikkei 225 average recoup some losses, after it slipped beneath 19,000 for the first time in more than a year. The key index closed 257.83 or 1.3 per cent lower at 19,281.58, after a high of 19,542.52 and a low of 18,819.92.

The main index had fallen by more than 500 on Tuesday, recovering 387 points on Wednesday. Its weakness was attributed to fears of selling by foreign investors, and the yen's decline also hit the bond market.

A batch of weak economic data increased concern that the government might have taken an over-optimistic view of the economic outlook. The Ministry of International Trade and Industry (Miti) announced that industrial output fell by 1.9 per cent from October to November, the first drop in three months and slightly steeper than the ministry's own forecast. However, officials said that the fall was mainly a reaction to a big rise in the previous month's output.

Turnover rose from 279m shares to 358m. Declines swamped advances by 766 to 325 with 172 unchanged, the Topix index of all first section stocks lost 9.42 at 1,460.01 and the Nikkei 300 fell 1.59 to 278.30.

The most heavily traded issue was Yaohan Japan Corp which gained Y32 to Y448 on bargain-hunting. Industrial Bank of Japan slumped to a low for the year of Y1,990, after losing Y30. It was dragged down by the news that non-bank lender Koei Corp was seeking liquidation under court protection by the end of March. IBJ is a big creditor of Koei Corp.

SEOUL saw labour unrest following the passage of a new labour law and this compounded its earlier weakness, the composite index shedding 18.75 or 2.8 per cent at 659.01.

A controversial labour bill, allowing flexible work hours and lay-offs, was rammed through parliament yesterday morning. In response, the outlawed Korea Confederation of Trade Unions called its 500,000 members out on strike, crippling key export industries.

BANGKOK broke a three day rally, the SET index closing 14.94 lower at 826.48 in response to disappointing economic indicators from the central bank, which showed the Thai trade deficit widening from Bt25bn to Bt36.2bn in October.

SHANGHAI took the B share index up 2.452 or 3.8 per cent to 66.751 on buying by domestic investors encouraged by a rise in the A share market, itself up 3.2 per cent. Brokers said the absence of foreign investors had encouraged their domestic counterparts.

Regional markets were mostly quiet on Tuesday.

HONG KONG edged ahead as year-end demand for market leaders took the Hang Seng index up 10.13 to 13,341.61 after swinging through a 136-point range during the half-day session.

Signs of global chill as Russia warms up

Michael Morgan on emerging markets in 1996

This was the year that Russia finally came in from the cold. The market had seen a number of false dawns in previous years, with strategists pointing to the country's vast potential but fund managers proving steadfastly reluctant to commit their cash.

All that changed in 1996 as political tensions eased after Mr Boris Yeltsin's victory in July's presidential elections. Last month's \$1bn Eurobond launch, the country's first international issue since the 1917 Bolshevik revolution, also put Russia's markets back on the international map. The result has been a 130 per cent rise this year for Russian equities in dollar terms, as measured by the Morgan Stanley Capital International index.

The valuations of emerging markets as a whole built to a June peak, before turning sharply back. They are now around their 12 month lows. The year's peak, however, coincided with the year's trough in the FT/S&P-A World index, suggesting that the flow of funds to emerging markets built up as conditions toughened in the established markets.

Mr Mark Mobius, president of the Franklin Templeton Group, argues that global funds missed their 1996 emerging market investment targets because of opportunities in developed markets. But Mr Mobius, who controls more than \$10bn in 34 emerging market funds, expects that 1997 will see a new surge of diversification into emerging markets, as a direct result of the rallies that have made US and other mainstream markets relatively expensive.

Among the longer established emerging markets, Latin American markets did best during the year. Venezuela was a big winner, more than doubling in dollar terms. The market was led higher by exporters with foreign currency earnings who benefited from April's 40 per cent devaluation of the bolivar. Asian markets were mixed, with some seeing the year out bumping along at or near their 1996 lows. Taiwan, however, had a good year, helped by a rise in the foreign investment limit, tax concessions for foreign investors and inclusion in the Morgan Stanley index.

Europe, the Middle East and Africa were the weakest regional markets. Against the odds, though, Hungary boomed as a narrowing trade gap offset slowing growth and lower than expected first half corporate results.

Some of the best excitement was reserved for the small, illiquid markets as they faced modest cash inflows. Dhaka, for example, rocketed 60 per cent in the hectic first half of November in a bull run fuelled by little more than enthusiasm.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: December 20 1996	Dollar terms: % Change over week	Dollar terms: % Change on Dec '95	Local currency terms: December 20 1996	Local currency terms: % Change over week	Local currency terms: % Change on Dec '95
Latin America	(250)	529.59	+3.1	+12.3			
Argentina	(31)	923.02	+4.8	+15.2	566,063.39	+4.8	+15.2
Brazil	(68)	389.47	+4.2	+27.6	1,512.54	+4.0	+36.2
Chile	(45)	621.83	-0.3	-16.9	1,054.69	+0.0	-13.5
Colombia[1]	(14)	633.98	+0.8	+6.0	1,124.47	+1.0	+7.1
Mexico	(64)	521.34	+3.9	+15.0	1,762.48	+2.9	+17.1
Peru[2]	(18)	191.19	-1.1	-3.1	301.43	-1.2	+8.5
Venezuela[3]	(9)	695.72	+2.7	+106.1	7,608.71	+3.0	+191.5
Asia	(712)	249.60	+0.4	+7.5			
China[4]	(27)	68.65	-4.6	+26.9	71.90	-4.6	+26.5
South Korea[5]	(156)	81.83	+3.5	-35.0	90.86	+3.6	-29.2
Philippines	(42)	295.86	+1.6	+14.0	375.87	+1.7	+14.3
Taiwan, China[6]	(90)	153.67	+0.8	+36.3	156.68	+0.8	+37.3
India[7]	(79)	79.11	+7.3	-1.6	100.68	+7.3	+0.3
Indonesia[8]	(49)	127.52	+1.2	+16.3	163.51	+3.5	+20.0
Malaysia	(148)	325.89	+0.5	+20.2	303.89	+0.6	+19.6
Pakistan[9]	(28)	202.34	-3.9	-16.6	369.63	-3.9	-2.0
Sri Lanka[10]	(5)	97.432	+0.8	-6.4	119.95	+0.2	-0.6
Thailand	(87)	220.59	-7.6	-41.3	224.37	-7.4	-40.3
Euro/Mid East	(264)	132.65	+2.8	-6.3			
Czech Rep	(7)	68.03	+4.6	+13.4	61.88	+4.8	+16.3
Greece	(54)	243.25	+2.6	+0.7	407.14	+3.7	+5.2
Hungary[11]	(12)	195.35	+6.3	+98.5	378.30	+7.2	+133.8
Jordan	(7)	186.62	-0.9	+1.1	276.82	-0.9	+1.2
Poland[12]	(30)	722.98	+1.6	+69.6	1,300.66	+1.8	+96.5
Portugal	(28)	144.67	+1.5	+25.0	155.66	+1.7	+30.9
South Africa[13]	(63)	205.22	+2.8	-20.5	198.42	+1.7	+2.1
Turkey[14]	(58)	148.82	+3.5	+42.4	7,457.04	+5.2	149.5
Zimbabwe[15]	(5)	461.02	+2.6	+67.8	733.77	+3.1	94.6
Composite	(1225)	29.0316	+1.8	+5.5			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	TUESDAY DECEMBER 24 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY DECEMBER 23 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (79)	218.28	0.0	193.39	157.98	178.49	182.33	0.0	4.21	218.34	193.45	157.29	176.36	182.34	224.61	188.44	189.71
Austria (24)	185.66	-0.1	164.50	134.36	150.12	150.05	0.0	1.91	185.87	164.68	133.89	150.12	150.05	196.04	172.42	172.42
Belgium (27)	224.27	-0.3	198.70	162.30	181.34	177.21	-0.2	3.80	224.88	199.24	162.00	181.64	177.52	229.11	203.64	206.18
Brazil (28)	186.88	-0.1	165.56	135.24	151.11	357.44	0.0	1.71	186.97	165.66	134.69	151.02	357.44	189.70	137.90	139.08
Canada (115)	188.08	0.2	166.64	136.11	152.08	185.98	0.1	1.97	187.72	166.31	135.22	151.62	185.78	196.24	147.80	148.53
Denmark (30)	341.77	-0.1	302.81	247.33	276.35	276.66	0.0	1.66	342.06	303.06	246.41	276.28	276.66	342.06	282.96	282.96
Finland (24)	239.60	-0.2	212.28	173.39	193.73	233.70	0.0	2.15	240.02	212.65	172.90	193.86	233.70	244.11	173.93	167.11
France (93)	209.62	-0.1	185.73	151.70	169.50	172.70	0.1	2.83	209.83	185.90	151.15	169.47	172.53	212.49	177.25	177.25
Germany (59)	185.90	-0.1	164.70	134.53	150.31	150.31	0.0	1.61	186.10	164.88	134.06	150.31	150.31	189.86	163.69	164.05
Hong Kong (59)	504.21	-0.1	446.72	364.88	407.69	500.86	-0.1	3.11	504.59	447.07	363.49	407.56	501.29	513.18	381.62	381.62
Indonesia (27)	225.50	-0.1	199.79	163.19	182.33	326.96	-0.1	1.56	225.78	200.03	162.64	182.36	327.22	-	-	-
Ireland (16)	314.81	0.1	278.91	227.82	254.54	267.56	0.2	3.43	314.47	278.62	226.53	254.00	266.88	321.14	251.10	251.10
Italy (58)	81.99	-0.2	72.64	59.33	66.30	93.67	0.0	2.22	82.14	72.78	59.17	66.35	93.67	84.53	70.61	72.24
Japan (480)	128.70	-2.3	114.03	93.14	104.07	93.14	-1.9	0.83	131.76	116.74	94.92	106.42	94.92	164.66	128.70	155.40
Malaysia (107)	588.42	1.0	521.33	425.82	475.78	572.67	1.0	1.09	582.66	516.23	419.72	470.61	567.25	607.65	477.96	484.58
Mexico (27)	1199.83	-0.3	1063.04	868.29	970.16	10272.32	-0.4	1.07	1203.43	1066.23	866.90	972.00	10309.71	1325.65	1035.78	1050.22
Netherland (19)	325.67	-0.3	288.54	235.68	263.33	259.51	-0.1	2.85	326.54	289.31	235.22	263.74	258.86	328.12	268.14	268.14
New Zealand (14)	91.23	-0.1	80.83	66.02	73.77	68.45	-0.1	4.08	91.33	80.92	65.79	73.77	68.48	94.40	75.94	78.55
Norway (35)	283.85	-0.1	251.49	205.41	229.51	249.35	0.0	2.03	283.98	251.61	204.57	229.37	249.35	286.15	224.41	225.67
Philippines (22)	203.53	0.4	180.32	147.29	164.57	266.70	0.4	0.82	202.71	179.60	146.03	163.73	265.69	-	-	-
Singapore (43)	411.47	0.1	364.56	297.77	332.71	265.09	-0.1	1.04	411.10	364.23	296.13	332.04	265.32	465.21	371.28	410.00
South Africa (44)	313.49	0.2	277.75	226.86	253.48	321.53	0.3	2.45	312.71	277.05	225.26	252.57	320.69	437.76	301.49	388.12
Spain (35)	211.98	-0.1	187.81	153.40	171.40	210.40	0.0	2.90	212.16	187.97	152.83	171.36	210.40	212.16	161.05	164.51
Sweden (48)	410.90	-0.2	364.05	297.35	332.25	417.70	0.0	2.04	411.91	364.95	296.72	332.70	417.70	416.67	295.31	306.77
Switzerland (35)	234.30	-0.8	207.59	169.56	189.45	195.23	-0.2	1.49	236.25	209.32	170.18	190.82	195.68	254.34	219.29	231.92
Thailand (45)	97.37	0.5	86.27	70.47	78.73	96.69	0.4	3.55	96.94	85.89	69.83	78.30	96.32	193.95	96.75	169.03
United Kingdom (212)	275.12	0.1	243.75	199.09	222.45	243.75	0.1	3.90	274.75	243.42	197.92	221.91	243.42	275.12	224.39	226.95
USA (623)	305.42	0.6	270.60	221.02	246.95	305.42	0.6	1.97	303.68	269.06	218.76	245.28	303.68	307.82	243.34	249.44
Americas (793)	279.02	0.5	247.21	201.92	225.61	234.74	0.5	1.96	277.52	245.88	199.91	224.15	233.49	281.50	222.53	227.48
Europe (715)	233.58	-0.1	206.95	169.04	188.87	201.92	0.0	2.87	233.83	207.17	168.44	188.86	201.87	234.56	198.36	198.36
Nordic (137)	352.76	-0.2	312.54	255.29	285.24	312.35	0.0	2.00	353.44	313.14	254.60	285.47	312.35	355.51	265.96	271.36
Pacific Basin (873)	147.88	-1.7	131.02	107.02	119.57	107.82	-1.4	1.31	150.47	133.32	108.39	121.54	109.34	177.01	147.88	165.48
Euro-Pacific (1588)	183.52	-0.9	162.60	132.81	148.39	143.32	-0.6	2.14	185.13	164.02	133.36	149.53	144.24	191.51	176.40	179.07
North America (738)	298.31	0.6	264.30	215.88	241.21	297.54	0.6	1.97	296.67	262.85	213.71	239.62	295.92	301.15	237.55	243.20
Europe Ex. UK (503)	206.69	-0.2	183.12	149.57	167.12	176.38	0.0	2.28	207.20	183.56	149.26	167.36	176.44	209.70	178.49	178.49
Pacific Ex. Japan (393)	311.23	0.2	275.74	225.23	251.65	268.42	0.1	2.78	310.72	275.30	223.63	250.97	268.03	317.82	262.41	263.05
World Ex. US (1802)	185.69	-0.8	164.52	134.38	150.14	148.67	-0.6	2.13	187.17	165.83	134.83	151.18	149.55	199.47	177.71	180.09
World Ex. UK (2213)	218.60	-0.2	193.69	158.20	176.76	188.65	-0.1	1.85	219.08	194.10	157.82	176.95	188.82	224.89	197.52	198.66
World Ex. Japan (1945)	272.70	0.3	241.61	197.34	220.50	257.47	0.3	2.32	271.89	240.89	195.86	219.60	256.61	274.88	226.54	227.19
The World Index (2425)	223.42	-0.2	197.95	161.68	180.65	193.66	-0.1	2.05	223.83	198.31	161.24	180.79	193.81	228.97	200.19	201.16

MARKETS CLOSED 24/12/96: Austria, Brazil, Denmark, Finland, Germany, Italy, Norway, Spain and Sweden. Latest prices were unavailable for this edition.